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## NEWS: INTERNATIONAL

Former West German chancellor dies at age of 78

## Brandt left indelible mark on post-war Europe

WILLY BRANDT, the former West German chancellor who died on Thursday aged 78, belonged to that select band of post-war European leaders who stamped an indelible mark not just on their countries, but across the European continent.

His chancellorship, from 1969 to 1974, was relatively short. But his period of uninterrupted influence on the centre stage of international politics was longer than that of any other contemporary politician, in Germany or abroad. In an almost kaleidoscopic variety of roles, ranging from charismatic young mayor of Berlin to his latter years as elder statesman, Brandt gave shape and direction to German politics during four post-war decades. In his last years, before he was stricken by cancer in the spring, Brandt took up a new part as an emotional force behind German unification.

The turbulence of his long life mirrored Germany's own vicissitudes. Brandt was a man of varied hues and changing moods. His capacity for misjudgment could sometimes be almost as striking as his qualities as an activist and visionary.

Yet beyond all the restlessness which drove him on and the controversy which dogged him, Brandt stood out as Germany's paramount statesman of peace. After the horror and the shame of the second world war, he was the first chancellor to allow foreigners – and his own compatriots – to believe again in a decent Germany playing its part in the international community.

Brandt's career, moulded beneath the shadows of the Third Reich and maturing during the cold war, was dedicated to ensuring that his country would never again be a source of instability and evil. Through his *Ostpolitik* in the early 1970s, normalising West Germany's relations with its neighbours in the east, Brandt did more than any other politician before Mikhail Gorbachev to bridge the post-1945 division of the continent.

His policies on eastern Europe were hotly contested at the time by the German right as a sell-out to communism. But Brandt was a prime architect of the détente which eventually, in 1990, made German unification possible.

In the 1970s and 1980s he occupied himself increasingly with international affairs, as chairman of the International Socialists and of the Brandt Commission. It was a source of frustration that the commission, despite all its good intentions, failed to make any headway in closing the north-south economic gap.

The sweeping aside of communism in East Germany in the autumn and winter of 1989 gave Brandt a pivotal new domestic role in a nation being reformed before the eyes of an astonished world. At an age when many lesser men would have settled into their armchairs, Brandt was out on the stump in both parts of Germany, still fighting elections for his Social Democratic party (SPD), still drawing the crowds with his peculiar brand of rasping oratory and his message that the Fatherland was now "growing together" again.

Brandt's political pinnacle came much earlier, during his five years as chancellor

– a period marking the return of the SPD as the main party in government for the first time since the Weimar Republic of 1918-1933. His chancellorship ended abruptly, with his resignation over a spy affair – still one of Germany's most opaque post-war political crises. He remained SPD chairman until 1987, and was the party's honorary chairman until his death.

Brandt showed a singular ability both to stir (his power to attract younger women had a legendary, if not notorious, quality) and to disappoint. His setbacks were almost as striking as his triumphs, and for all his undoubted thoughtfulness he could be alarmingly between hesitancy and rashness. In many ways he was the Hamlet of German politics.

Partly because he was so often going against the tide of contemporary ideas, Brandt was an uncomfortable, often enigmatic figure. Respected rather than loved by the Social Democratic party, he was not the first German leader to owe part of his authority to his aloofness. Manoeuvring his way through pitfalls along his political path, Brandt was all too often reminded that he remained ultimately an outsider.

The central component of Brandt's *Ostpolitik* was recognition of East Germany as a separate state. Although he clung to the nebulous goal of "unity of the nation" (a term he distinguished from "reunification", which he rejected because of its revanchist overtones), he called his countrymen to come to terms with Hitler's legacy. By accepting the status quo of division, Brandt laid an important part of the groundwork for eventually ending it.

When the German black, red and gold flag was hoisted in Berlin in the midnight Unity Day ceremony on October 3 1990, the 76-year-old Brandt was there with the other dignitaries on the balcony of the Reichstag, staring out at the huge crowds with the inscrutability which, with age, he came to wear like a mask.

In accepting the Nobel peace prize, awarded in 1971 for his *Ostpolitik* breakthrough, he said: "I believe in diversity, and hence in doubt." So it was an entirely typical paradox that unity took place after Brandt had given up any idea of seeing it happen. "Who would want to believe that, one day, the German Democratic Republic would be annexed to the Federal Republic, and that would be that?" he wrote in his memoirs, published in 1989.

The elliptical question was a favourite form of statement for a man who could not take refuge in certainties.

His scepticism, like his self-doubt, had its origin in the complexities of his childhood. He was born as Herbert Ernst Frahm on December 18 1913 in the northern city of Lübeck, the illegitimate son of a 19-year-old shopgirl. He never knew his father – a loss which helped shape his non-conformism and concern for the underprivileged, as well as a sporadic lack of discipline.

He grew up under the guardianship of his "grandfather" (a man who, in a further twist, turned out not to have been the father of his mother). He joined the SPD at the age of 16. Disenchanted with the We-

imar Republic, and supporting a more active struggle against the far right, he quit a year later, in 1931, to join a splinter group, the Socialist Workers party.

This early defiance provides a key to his later tolerance, as party chairman, of the radicalism of the Young Socialists during the 1970s, and his attempted espousal of

the Greens' ecology party during the 1980s. Of the younger generation, he once said: "They feel that the old and middle-aged may already have made so many compromises that they can no longer confront the new tasks of today."

Shortly after Hitler took power in 1933, Brandt's splinter group, aware that he was

in danger of arrest by the Nazis, decided to send him to Oslo. He was smuggled out of Germany on a fishing smack, taking with him the name of Willy Brandt which he had already been using as a pen-name.

It was the start of 12 years of exile. During his three attempts to run for the chancellorship during the 1960s, Brandt's political enemies tried to use this emigration to show that he was less than totally committed to his country. Indeed, Brandt's views on Germany often seemed strangely detached. He once said that Chancellor Helmut Kohl – with whom he forged, in his later years, a close political relationship, though never real friendship – would be a better leader if he knew a little more about the world outside.

Brandt became a Socialist activist in Scandinavia, returning briefly to Berlin on an undercover mission. As a journalist on the Republican side in 1937, he witnessed the horrors of the Spanish civil war. In 1940 he was arrested by the invading German forces in Norway, while wearing a Norwegian uniform. Interned and then released, he fled to neutral Sweden, where he continued his underground work, took Norwegian citizenship and met his future wife, Rut, who was Norwegian-born. (His marriage to his first wife, Carola, whom he met in 1940, broke down in 1944. After his marriage to Rut also ended in divorce, Brandt wed in 1983 the journalist and author Brigitte Seebacher.)

Brandt returned to his defeated homeland in 1945, as a correspondent covering the Nuremberg trials. He found his way back to the SPD, but remained a Norwegian citizen until 1948. In 1947 he became press attaché at the Norwegian military mission in Berlin. Shortly afterwards, he met Edvard Reuter, the SPD governing mayor of West Berlin during the 1948-49 blockade, who heavily influenced Brandt's firm anti-Communist policies in Berlin during the 1950s and 1960s.

In 1949 Brandt was elected to the Bundestag as a West Berlin deputy, and in 1955 he became president of the West Berlin senate. In November 1956 he twice showed his oratorical skills by stopping crowds of Berliners, angered by Soviet crushing of the Hungarian revolution, from rushing into East Berlin towards bloody confrontation with Russian tanks.

In 1957 Brandt was elected governing mayor of West Berlin. This was a crucial period: the SPD, under the guidance of the party's irascible strategist Herbert Wehner, was moving to cast off the encumbrances of Marxist ideology and reform itself into a modern *Volkspartei* (people's party).

Brandt's experience in 1961, when he witnessed the western allies' helplessness as the Berlin Wall was built, had a profound effect on his future foreign policy. The implication was clear: however important Bonn's links with the US, Washington was incapable of giving West Germany full protection against the Soviet Union. Through building up relations with the East, Bonn would eventually have to take greater initiative for securing its own security.

After three years as foreign minister in

the Grand Coalition with the Christian Democrats of 1966-69, Brandt had the chance to put his precepts into effect when he became chancellor in 1970, in coalition with the Free Democrats. His finest hour came when the coalition was returned with an increased majority in the 1972 elections, making the SPD the largest single party in the Bundestag.

By 1972, the high points of his crusading European policies – the emotional visit to Erfurt in East Germany in 1970, and his dramatic gesture later that year, when he knelt at the Warsaw monument to the Jewish ghetto – were past. The victory bloom soon wilted. As he ran into obstacles with France over policies towards western Europe, he became bogged down by domestic difficulties, particularly an outbreak of public-sector strikes.

In April 1974, Günter Guillaume, an official in the Chancellery who had been sufficiently close to Brandt to have accompanied him on holiday in Norway, was arrested on charges of spying for East Germany. Under pressure from Wehner, still the main SPD power-broker, and disheartened by the reluctance of others (notably Hans-Dietrich Genscher, then interior minister) to shoulder any of the blame for the resulting debacle, Brandt impulsively accepted complete responsibility. He resigned from office.

By staying on as SPD chairman, Brandt hoped to foster party unity. In fact, the relationship gradually worsened with the other members of the SPD leadership – the increasingly neurotic Wehner, and Helmut Schmidt. As Schmidt became a target of SPD left-wingers opposing his course on defence, nuclear energy and the economy, the chancellor accused Brandt of countering party discipline by encouraging the cause of younger radicals.

After the SPD went into opposition in 1982, and lost two general elections in 1983 and 1987, it became clear that Brandt himself had contributed to the party's sense of drift. In March 1987 a somewhat mindless row brought his downfall as party chairman. His attempt to hire as SPD press officer an able political scientist – a young woman, Greek-born, above all a non-party member – proved too daring for some. Badly plucked, the patriarch (who would have bowed out anyway in 1988) said he was stepping down.

In an emotional two-hour farewell address at Bonn's Beethoven Hall in June 1987, Brandt declared that his brand of libertarian social democracy was one where the leader would make mistakes. "I have not always considered what should be considered. I am sorry. And that is it."

Conditions by the throat Germany had once posed to its neighbours and to itself, Brandt spent his life looking several ways at once. His greatest service was to show that a certain ambiguity could buttress Germany's position in the world rather than undermine it. His greatest regret may have been to have died before he – or anyone else – could be completely sure that the unification of the German nation would turn out an unmitigated success.

David Marsh



## World leaders mourn death of the architect of Ostpolitik

By Our Foreign Staff

Tributes poured in from all quarters for Mr Willy Brandt, the outgoing left-wing firebrand, rebel, refugee and illegitimate son of a northern shopgirl, described yesterday as "one of the great Germans of this century."

Mr Brandt's death prompted warm tributes for his role in the rebuilding of Germany after the second world war, his Nobel Peace Prize-winning efforts through the policies of *Ostpolitik* to reconcile a divided Europe and his humanitarian commitment to peace.

President George Bush, expressing deep

sadness at Mr Brandt's death, said the former West German chancellor was "a towering figure of the post-war era, a man of vision and courage."

French President François Mitterrand, in a message of condolence to Mr Richard von Weizsäcker, his German counterpart, said: "You have lost, we have lost, one of our most eminent contemporary figures, as well as a man of justice and peace."

Mr Pierre Bérégovoy, the French prime minister, described Mr Brandt as "a passionate democrat and a lucid chancellor."

Mr Brandt's political career as an exiled

opponent of Adolf Hitler, mayor of West Berlin and eventually chancellor of then West Germany won praise from across the political spectrum of the country he lived to see reunified.

The warm words from rivals in Germany on the political right as well as from the left showed that by the time he died on Thursday night, after months suffering from intestinal cancer, he was regarded more as a father figure than a political partisan.

Chancellor Helmut Kohl, who clearly welcomed his advice and the breadth of his international experience, described him as a "German patriot, European and world citizen simultaneously. His word carried weight beyond party boundaries."

He paid tribute to him for his "wise counsel," particularly through the time of German unification, when, Mr Kohl said: "I could count on his support. Even before the fall of the Berlin Wall he recognised that the chance was there to overcome the division of Germany and Europe."

The Chancellor spent more than an hour at Mr Brandt's bedside only days before he died, and yesterday had a lengthy conversation of condolence with his widow.

Ms Rita Süssmuth, president of the German parliament, read a eulogy to Brandt at a saddened and hushed session. Flowers were laid on the seat he had occupied in parliament.

German flags in front of parliament, across many cities and at the Social Democratic party headquarters hung at half-mast.

Mr Hans-Dietrich Genscher, West German foreign minister from 1974 to 1992, said: "Through his Germany won the confidence in the world that enabled it to open up to the east without alienating its western partners."

Lord Denis Healey, the former British Labour party minister and a close friend of Mr Brandt, praised in particular "his massive humanity". He said: "Many people will remember a photograph of him kneeling in contrition as the German chancellor

in the Warsaw ghetto, which was one of the great images of post-war Europe."

Mr John Major, the British prime minister, hailed Mr Brandt as a "champion of liberty."

In Moscow, Mr Mikhail Gorbachev, the former Soviet president, said the world had lost "an outstanding politician of our epoch" and a "great democrat".

Mr Brandt, who died at his home in Unkel outside Bonn, will be buried in Berlin next week. President von Weizsäcker has ordered a national commemoration ceremony, the date for which remains to be fixed. A state funeral will wait on the wishes of Mr Brandt's widow.

## High hopes for Brussels trade deal Gorbachev Foundation accused over earnings

By David Gardner in Brussels

EC and US trade negotiators meet in Brussels tomorrow amid expectations that they can bring off a deal on the Uruguay Round of trade talks, tempered by the knowledge that, as one EC official put it, "we have been here before".

Hopes of concluding the nearly six-year-old world trade liberalisation talks under the auspices of the General Agreement on Tariffs and Trade (GATT) have been dashed at too many previous "breakthrough" negotiations for anyone to be unreservedly optimistic now.

Officials from both sides argue that President George Bush is desperate to get at least a headline deal on the Uruguay Round in time to lift his declining chances of re-election on November 3.

For the EC, a deal offers a chance to shift attention from the crisis over the Maastricht treaty. It would also defuse a dispute with the US over the EC's oilseed subsidy regime that has threatened to explode into a tit-for-tat trade war.

The Brussels talks were timed, one senior EC official says, to make it possible for next Friday's emergency summit of EC heads of government in Birmingham – convened to discuss Maastricht – to set its seal on any agreement.

Mr Bush set out his hopes for a deal in a recent letter to Mr Jacques Delors, president of the European Commission.

The EC and US have softened their positions on farm subsidies, the main obstacle to

Mr Ray McSharry, the EC agriculture commissioner, said in Dublin yesterday the EC was "ready to strike a deal but not at any price" in its talks on the Uruguay Round. Tim Cooney writes from Dublin.

"It is absolutely impossible to agree to the [US] request that community production of oilseeds in the community should come down from the present levels of about 13m tonnes to 7m tonnes," he told a US Chamber of Commerce luncheon in Ireland.

a deal since the collapse of the GATT summit in December 1990. But both will have to cede still more, and then sell the result to their GATT partners.

The French government remains set against further concessions to the US, after taking a beating from farmers in last month's referendum on Maastricht and facing defeat in general elections next spring. Its raw new farm minister, Mr Jean-Pierre Solson, was sent to Brussels this week with a mandate to block any GATT agreement which damages French farmers' ability to export.

Technically, Paris cannot veto an agreement. But in the midst of the Maastricht crisis, it remains to be seen whether France's partners would risk isolating President François Mitterrand – much less whether German Chancellor Helmut Kohl would risk damage to the Bonn-Paris axis which has carried European

integration forward. The hope is that France is substituting gesture for substance, and will record its hostility to an agreement without forcing an EC crisis over the issue.

What is most agitating France – the EC's principal food exporter – is a provision in the Uruguay Round draft "final act", published last December, to cut the volume of subsidised farm exports by 24 per cent, in addition to a 36 per cent cut in the value of subsidised exports.

The second main EC-US difference is the extent to which payments to European farmers in compensation for price cuts agreed in the Community's reform of the Common Agricultural Policy will be exempt from a 20 per cent domestic subsidy reduction, as called for by the draft "final act".

The last "near miss" on these issues was July's Group of Seven summit in Munich, at which Britain proposed the volume of subsidised food exports be cut by 21 rather than 24 per cent.

However, EC farm commissioner Mr Ray McSharry has pushed hard for "aggregation" – allowing the EC to cut exports of sensitive farm products by less than 24 per cent if it cuts deeply enough in less sensitive areas to reach an average 24 per cent cut.

Mr McSharry said in Dublin yesterday: "It is absolutely clear that the Community requires a certain level of flexibility" – but he is understood to be willing to make this flexibility limited and detailed.

whether separate Uruguay Round disputes on trade in services, market access, and intellectual property rights can be resolved.

But then, if the farm dispute is not unlocked, negotiators may never find out.

Agricultural Support in the OECD (\$bn)

	1990	1991	% change
EC	86.3	83.6	-3.2
US	35.5	34.7	-1.7
Japan	29.8	31.5	+5.5
Canada	7.1	7.7	+8.2
Switzerland	5.3	5.1	-2.9
Finland	5.3	4.5	-14.5
Total OECD	180.2	177.0	-1.8



## Gorbachev Foundation accused over earnings

By Chryslia Freeland in Moscow and Dmitri Volkov in Bishkek

A RUSSIAN government audit has accused ex-Soviet president Mikhail Gorbachev's non-profit foundation of illegally raking in hundreds of thousands of dollars by subletting the premises Mr Gorbachev was allotted last December.

Details of the audit report, published yesterday by the Moscow city newspaper Kurant and confirmed by the Ministry of Finance, allege that the Gorbachev Foundation, a non-profit think-tank, illegally earned \$308,000 (£170,000) by leasing out its spacious premises, which include an office complex, a villa outside Moscow and a sanatorium.

Coming on top of two court summons, the financial allegations could trigger a witch-hunt aimed at the outspoken ex-president. In what appeared to be a concerted effort to prepare the ground for further action against Mr Gorbachev, Mr Mikhail Poltarannin, the Russian Minister for Information, said Mr Gorbachev was seeking a "Bolshevik-style" political comeback.

"When Gorbachev created the foundation and was given huge premises in Moscow he said that he would gather brains to produce ideas for Russia," Mr Poltarannin said. "Instead the foundation piled up hard currency."

Mr Poltarannin, said at a Con-

federation of Independent States meeting in Bishkek: "Gorbachev has set up a second Zurich. The Bolshevik centre from he watches to see how he can start firing the Aurora guns (which fired the shots which sparked the Bolshevik revolution in 1917) at the present authorities to launch another coup."

The former Kremlin boss was unceremoniously evicted from the buildings in a dawn raid on Thursday when Russian President Boris Yeltsin raised the stakes in the increasingly acrimonious and petty battle between the two Russian leaders.

Mr Gorbachev had previously been deprived of his limousine and has been forbidden to travel abroad for refusing to answer the summons of Russia's Constitutional Court.

Yesterday France formally complained to the Russian government about the eviction, and the Italian government on Tuesday protested against the travel ban. The newest allegations could spark more international anger.

The audit alleges that the foundation's hard-currency earnings, together with big foreign donations, were used to furnish it with perks such as cars, garages and foreign travel, subsidise ex-Communist newspapers, including Pravda, and provide medical care abroad for one of Mr Gorbachev's associates.

An official from the auditing

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# Paper offers multiple choice

By Hilary Barnes  
in Copenhagen



DENMARK'S white paper on its relationship with the European Community, published yesterday, sketches several ways to solve the difficulties caused by the No vote in its Maastricht referendum in June.

Mr. Uffe Ellemann-Jensen, the foreign minister, warned that Denmark still faces difficulties in trying to reach accord with the other EC members in a way which will be palatable to the Danes.

However, he said he could see the outlines of a deal, which should be feasible with a little goodwill.

The opposition Social Democratic Party's spokesman on market affairs, Mr. Bjørn Westh, was satisfied with the white paper.

The 261-page document outlines eight options for Denmark and its EC partners, although it steers clear of recommending which would be best for Denmark.

The minority Conservative-Liberal coalition government and the other parties in the Folketing (parliament) will try to hammer out an agreed position over the coming weeks for presentation to the other countries in time for the Edinburgh summit of the EC in December.

The eight options are:

• the Treaty of Rome is main-

tained as the basis for co-operation between the member states and the problems which the Maastricht treaty aims to solve are tackled another way;

• the Maastricht treaty enters into force for the other 11 member states, while Denmark joins the European Economic Area, under the agreement concluded earlier this year between the EC and the members of the European Free

Trade Association.

The disadvantage for Denmark of this option is that Denmark would cease to be a participant in the EC's Common Agricultural Policy, the white paper points out, and Denmark receives more in direct support from the CAP - some DKr1,728 (£186) per capita last year - than any other country except Ireland. Denmark would also lose any influence over

future EC policies;

• changes are made in the Maastricht treaty, effective for all 12 member-states. This option has already been ruled out by the other EC countries;

• the Maastricht treaty enters into force for the other 11 while in Denmark the Rome treaty applies. The white paper concludes this would only be possible if Denmark accepted the Maastricht treaty's amend-

ments to the Rome treaty.

"It is difficult to imagine that it would be practicable or legally feasible to apply the new basis for co-operation [the Maastricht treaty] to some states and the old basis [the Rome treaty] to others." This option implies that Denmark would cease to participate in the further process of European integration, such as negotiations with applicant members or future government conferences;

• the 11 put the treaty into force and Denmark negotiates a special arrangement. One objection to this is that it would involve a second ratification process in many member countries;

• Denmark agrees a limited ratification of the treaty, enabling it to withdraw if it feels that the Community is developing in ways which are not compatible with Danish interests;

• riders to the Maastricht treaty are introduced which are effective for all 12 members. These riders could be given the legal form which seemed most appropriate in each particular case;

• the Maastricht treaty comes into force with special status for Denmark.

The two latter options come closest to the ideas that Danish politicians have aired since the referendum, allowing Denmark some special opt-outs and, for example, a text which spells out how some treaty obligations are to be interpreted.

## German ministers at odds on violence

By Quentin Peel in Bonn

A MEETING of ministers responsible for justice and law enforcement in all the federal states of Germany yesterday broke up in disarray after they failed to agree on measures to combat the wave of violence against foreigners.

While conservatives demanded tougher police powers of arrest and detention, and new curbs on the right of asylum, their Social Democrat opponents called instead for the existing laws to be more rigorously enforced.

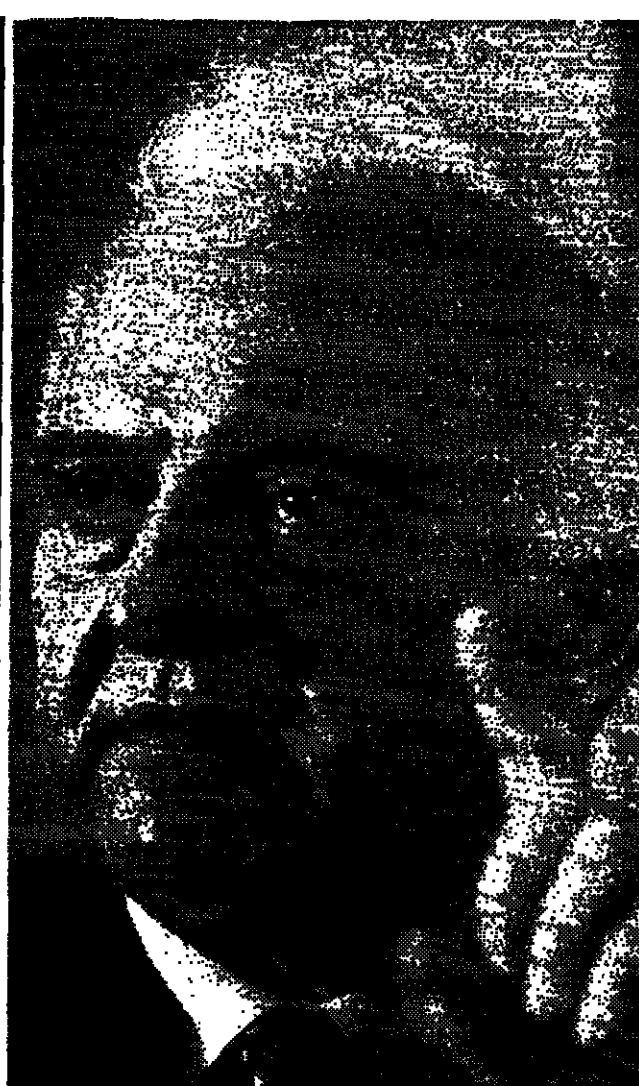
The result was a failure to agree on any common action, in spite of unanimous agreement over the threat of violence against foreigners from roaming gangs of skinheads chanting neo-Nazi slogans.

The meeting of justice and interior ministers from the 16 federal states, as well as from the central government, was summoned in the wake of a series of attacks on asylum-seekers' hostels in east Germany since the summer.

In the end, the political differences over the cause of the violence - the influx of asylum-seekers and would-be immigrants, mostly from eastern and southern Europe - left the ministers too divided to muster a common front.

The ministers from conservative Christian Democrat (CDU) and Christian Social Union (CSU) states, backed by Mr. Rudolf Seiters, the federal interior minister, were calling for wider powers of arrest and detention for the police, a redefinition of the crime of breach of the public peace, and reinforcement of the Federal Bureau of Protection of the Constitution, the office responsible for internal state security.

They also sought agreement on constitutional changes to limit the flow of asylum-seekers. Angry SPD ministers refused to go along with wider police powers, insisting that what was needed was proper enforcement of existing legislation, but also accusing their rivals of playing party politics.



Shevardnadze yesterday condemns support for separatists

## Georgia poll warning

By John Lloyd in Sukhumi, Abkhazia

ELECTIONS tomorrow in the former Soviet republic of Georgia are expected to return Mr. Eduard Shevardnadze, the former Soviet foreign minister, as head of the republic's parliament - while an increasingly bitter civil war rages in the northern autonomous republic of Abkhazia and the country descends into chaos.

Georgia's political leaders last night warned of terrorist attacks in the capital of Tbilisi, aimed at stopping or destabilising the elections.

In Sukhumi, the Abkhazian capital, refugees yesterday continued to besiege the airport fleeing from the threat of an attack by Abkhazian forces augmented by volunteers from the Caucasian republic in Russia - according to Georgian officials - by Russian army units.

The elections are contested by a plethora of parties, with the former communist "Peace" bloc in the lead, but with some 20 expected to take seats in the Georgian legislature. Mr. Shevardnadze is the sole candidate for the post of parliamentary leader - the institution of the presidency has been abolished since last December.

Mr. Shevardnadze was due to meet Mr. Boris Yeltsin, the Russian president, and Mr. Vladislav Ardzimba, the Abkhazian leader, for talks on Tuesday on a naval ship off Sukhumi.

However, the Russian news agency Itar-Tass yesterday reported that Mr. Shevardnadze was expressing last-minute reservations about the meeting with his Russian counterpart.

# Bringing the mutineers back on board

By Lionel Barber in Brussels

THE Danish White Paper on Maastricht is an exercise in imprecision aimed at reassuring domestic public opinion. Now comes the hard part: how to find a solution acceptable to the Danes and their 11 EC partners which will bring the mutineers back on board.

In Brussels yesterday, senior officials and diplomats were scouring the white paper for hints on what precisely the Danes are demanding before they submit the Maastricht treaty to a second referendum

early next year. Few underestimate the hurdles ahead.

"The outcome is by no means a foregone conclusion," an EC ambassador said.

Items on the Danish list are easily identified: an assurance that Danes will not be required to join a putative European army; an opt-out clause, similar to the UK's, on a future European monetary union; assurances that Denmark's high standards on the environment and social policy will not suffer in a future European Union; and a general desire for more openness and less cen-

tralisation in Community affairs.

The pessimistic view in Brussels is that the Danes will reach a political consensus at home and falsely assume that this fact alone will be enough to press their European partners into line - underestimating the huge task of reaching unanimity among the 11.

Another fear is that the Danes will frame their demands in language which amounts to a renegotiation of the Maastricht treaty - a position which all 11 agree is not possible (not least because no-

one wants to endure a second round of ratification battles on a modified Maastricht).

"It all comes down to the words," said a senior European diplomat.

A more optimistic view is that the Danes will opt for self-restraint. This would allow their partners to come up with a political declaration which would seek to remove unfounded Danish fears. Such a declaration could, for example, state clearly that "there is no obligation - in legal terms - on defence matters."

Similar references to existing

EC treaty law would probably suffice on citizenship, the environment, and social policy, said a senior EC official.

However, an opt-out on monetary union, if pursued by the Danes and agreed by the 11, would almost certainly need a treaty-amending protocol, says a senior EC official.

In the end, it comes down to a political calculation: how much a moody 11 are prepared to forgive the upstart Danes in the interests of EC unity.

Next week's EC summit in Birmingham will offer the first clues.

"Don't look with your eyes.  
All they show you is limitation.  
Look with your understanding.  
And fly."

To most people Bajaj Auto is a two wheeler company, the largest scooter manufacturer in the world. A leader with over 6 million vehicles on the road, and adding another 850,000 vehicles every year. With two of the biggest, most sophisticated manufacturing facilities on earth. And a professional strength of more than 17,000 employees. But that's what your eyes can see. Come closer, look with your understanding. And you'll see an organisation that goes beyond the limits of its

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# Lufthansa



## Gooda Walker failings identified

By Richard Lapper

MANAGEMENT deficiencies and poor underwriting rather than fraud were at the heart of the difficulties of the Gooda Walker syndicates, which produced some of the worst losses ever suffered by Names at Lloyd's, a loss review investigation by the London market has concluded.

The report - marked "private and confidential" - prepared by a team chaired by Mr Kieran Poynter, a partner at Pricewaterhouse, the accountancy firm, was sent to Names yesterday.

Between 1988 and 1990, syndicates 164, 290, 298 and 299, managed by agencies in the Gooda Walker group, lost more than £550m for about 4,000 Names - the individuals whose assets support the insurance market's capital base.

The syndicates specialised in catastrophe reinsurance, in which Lloyd's syndicates and London market companies reinsured each others' exposures to catastrophe risks.

The 1,500-page report says they were overwhelmed by disasters such as Hurricane Hugo in September 1989, because underwriters "failed to recognise" the scale of the risks to which they were exposed. They were also caught out by underwriters' "willingness to run a high degree of risk for high profit".

Risk was also concentrated among relatively few Names. Each Gooda syndicate underwrote "wrote a substantial volume of excess of loss capital business such that there was a high probability they would all be affected by the same loss events".

Matters were made worse because Gooda syndicates frequently reinsured each other, while the Gooda members' agency placed many of 250 Names whose affairs it handled on Gooda syndicates.

Moreover, "deficiencies in the managing agency control environment" contributed to losses. Managing agents failed to give members' agents and Names all relevant information.

"In particular it seems that relevant information was available in November 1988 which (if passed on) may have caused Names to reconsider participating in the 1989 year," the report says.

"The members' agents failed to appreciate the high-risk nature of the Gooda syndicates. This was summed up by Anthony Gooda's often quoted remark to many new Names that 'We won't make you a fortune but we won't lose you one either'."

The report did not "encounter any evidence of impropriety of a dishonest nature" and it concludes that Lloyd's had properly administered the regulatory requirements relating to Gooda. However, it says the affair raises a number of regulatory issues that should be addressed by Lloyd's.

It says syndicate prospectuses were inadequate and suggests that too much of Gooda Walker's reinsurance was placed inside Lloyd's.

The report echoes the findings of a wider-ranging investigation by Sir David Walker this year when it argues that simply monitoring premium income is an inadequate means of controlling the high-risk exposures of syndicates. It also questions the use by Gooda Walker of time and distance policies, a financial reinsurance that had the effect of improving its reported results.

## Sunday trading law may see free vote

By David Owen

THE GOVERNMENT is likely to offer MPs a free vote on a range of options for the reform of Sunday trading in England and Wales in a bill it hopes to table before the end of the present parliamentary session. The options are expected to range from full deregulation on the Scottish model to a tightening of existing laws along the lines advocated by the Keep Sunday Special campaign. A government statement is

expected before Christmas.

Once a package is agreed, the government would seek to implement legislation, using the whips to ensure the reforms become law.

Mr Peter Lloyd, home office minister, conceded yesterday that the proposed strategy was not foolproof - it was possible that none of the choices would command majority support and one contradictory and anomalous regime could be exchanged for another.

He said the government was

prepared to make "an act of faith" in the belief that MPs would be prepared to compromise in the interests of speeding reform.

Employee protection measures were likely to be similar to those in the defeated 1986 bill, including protection against terms of employment being changed to require Sunday working, he said.

Mr Lloyd accepted that the present widely flouted regime was unlikely to be replaced before 1994. The drafting of leg-

islation must await a decision by the European Court - expected in autumn or early next year - on whether the present law was overridden by the free-trade articles of the Treaty of Rome.

The announcement was welcomed by reform campaigners, whose proposals are likely to form the basis of the options presented to MPs.

Mr Roger Boden, director of the Shopping Hours Reform Council, said: "It is a tremendous victory for shoppers who

will soon have the freedom to shop when they want and for shop workers who will benefit from the protection the government has promised."

His views were echoed in part by the Consumers' Association, which praised the government for committing itself to "reform of this unholy shambles".

"Hundreds of thousands of consumers have been voting with their feet to legalise Sunday trading," the association added. "Reform must mean an

unrestricted claim to one of the most basic rights - choice."

The government has been committed to reform of the Sunday trading laws since 1987 but has been reluctant to legislate after its last attempt was defeated by a Conservative backbench rebellion in 1986.

A private members' bill advocating reforms along the lines of proposals drawn up by the Keep Sunday Special campaign is due to be debated in the House of Commons early next year.

## Merit pay for teachers proposed

By John Williams, Public Policy Editor

PAY RISES in the future for some 400,000 school teachers in England and Wales should depend entirely on performance, Mr John Patten, education secretary, said yesterday. In evidence to the School Teachers' Review Body, he proposed a wholesale move to discretionary pay rises for all teachers, sweeping away automatic increments and annual cost-of-living awards.

Mr Patten's proposals are a direct challenge to the pay review body, which earlier in the year outlined a scheme to award bonuses to schools to reward improvements in performance, which would be passed on to individual members of staff. The review body argued that that would go with the grain of schools' existing management and culture.

Its view is robustly challenged by Mr Patten, who said that merit pay for teachers should be decided by governors and not solely according to a school's position in exam-based league tables or truancy and stay-at-home rates.

Mr Patten also said that no new money should be required for the switch, which could be funded out of existing resources. Performance-related pay should not depend on receiving "bolt-on" extra cash but should be taken from the existing pay bill.

His submission calls for action to introduce performance-related pay as soon as possible. Trials should begin next year, and the new system be implemented from 1995, when the new system for teachers' appraisal would be fully in place.

Mr Patten's evidence produced an immediate response from the unions, most of which oppose any form of performance-related pay.

Mr Nigel de Gruchy, NAS/UWT general secretary, said it was "outrageous". Mr Doug McAvoy, general secretary of the National Union of Teachers, the largest teaching union, said it was impossible to operate such a scheme fairly.

Mr David Hart, general secretary of the National Association of Head Teachers, which has not set its face against performance-related pay, said that extra money for the scheme was essential.

He added: "Whatever scheme the government has in mind, it won't work without the backing of the heads and deputy heads who must have to administer it."

Conservatives close their conference with the prime minister's renewed commitment on economic goals

## A party at war and peace with itself

A VISUAL metaphor for what has been one of the least successfully stage-managed Conservative conferences came even before the prime minister had made his triumphant entrance yesterday.

Three times, the boisterous element in the Brighton centre attempted to loop the hall with a 360-degree "Mexican wave". At first, delegates on three sides of the hall rose and returned to their seats, only for the "wave" to dash against the stiff upper lips on the platform.

The second try penetrated the platform's back row as grandees such as Lord Howe, dutifully, if improbably, embraced the spirit of the terrace.

At the final attempt, the whole cabinet - Lamont, Hurd *et al* - ditched the last vestiges of their dignity and, arms raised like surrendering squad-

ries, paid ritual obeisance to the populist tide on the conference floor.

Throughout the week, two observations on the modern Conservative party had become common currency around the hotel bars. The first - touched on by Mr Major's claim that "Labour and the Liberals are utterly irrelevant" - was that the Tory conference now combines both the government and its opposition.

At its high point during Lord Tebbit's peasants' revolt on Tuesday afternoon, a good half of the packed conference hall looked ready to defy the leadership. Mr Douglas Hurd's headmasterly speech reminded them where their duty lay.

The second commonplace, also alluded to by Mr Major in his speech yesterday, was that what for Labour was a vice for the Tories is a virtue.

It is only proper, this argument goes, that as Britain grows to resemble the *de facto* one-party states of Japan and Italy, natural checks and balances should emerge to force the party leadership to heed its grassroots.

Opinions differ as to how much that is true. As tempers have flared over Europe and the exchange rate mechanism this week, veterans have recalled similar fervour in the past over Rhodesia and capital punishment.

This week, it was the noisy minority, not the silent major-

ity, that made its presence most strongly felt. What is more, it demonstrated an articulacy and range of opinion many claimed never to have witnessed before.

As ever, there was plenty of the traditional wishful, not to say sloppy, thinking like the woman who argued both for a 5-point interest rate cut and an independent Bank of England. But others claimed the economic debate showed an unprecedented degree of sophistication, both in diagnosis and cure. One senior Fleet street economist commented, observed with genuine, if patronising, surprise: "I think it is the first time I have ever heard a delegate from the floor at a Tory conference talking sensibly about monetary aggregates."

Some party activists say the new economic literacy is a

direct legacy of the the Thatcher years - an evolution of the battles between "wets" and "dries" on to the A-level curriculum of the relative merits of fixed and floating exchange rates.

Others say that the battles over the economy are for the most part simply the continuation of the Maastricht civil war by other means. But that is to ignore the Conservatives' old constituency of small business people for whom European issues are firmly secondary to the more pressing question of interest rates.

But while the majority of Tory conferencegoers may still be loyalists of the non-combative, envelope-stuffing tendency, the Brighton hall also demonstrated the growing readiness of highly politicised younger party members to have a go at the leadership. While the bulk of those were Thatcherite, it was also notable that at fringe meetings some of the louder heckling came from a newly vociferous pro-Maastricht grouping.

The fractiousness of the 1992 Brighton conference owed much to the vulnerability of a Conservative government in the depths of recession and battered by the Black Wednesday debacle. But its message carried little real comfort for Labour.

Labour's Blackpool conference was remarkable in its refusal to mourn a fourth successive election defeat. But the overriding mood was contemplative and a trifle bemused. By contrast, the grand Conservative coalition of City slickers and blue-rinsed matrons, tweedy fogies and snappy-suited yuppies, was energised by the heady, high-octane stimulus of proximity to politicians in power.

### Ivo Dawney hears the voices of the Tories' noisy minority

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## Pledge on deregulation

By Alison Smith

A NEW drive for deregulation and a fresh attempt to find ways of encouraging joint public and private-sector investment in public works such as roads was more unexpected.

"It's too easy, when spending is under pressure, to forget the long term, to let the burden fall on the private sector alone," he said.

"We must work with industry to see whether the public and private sectors working together can do more to invest in our future."

Mr Fowler was responsible for a relaxation of the "Ryrie rules" when he was chief secretary to the Treasury, but even that loosening of the arrangements for combining public and private investment has not led to many joint projects.

The Conservative party organisation is undergoing its

most radical overhaul since 1945, Mr Norman Fowler, party chairman, told conference yesterday, Bethan Hutton writes.

A post-election review of the party's organisation started this year.

"This is a review that will lead to action, not a review which is a substitute for action," Mr Fowler said, but made no mention of demands from within the party for a directly elected executive committee and chairman.

Mr Fowler said the party's £10m overdraft was "deeply unsatisfactory" and must be eliminated. "I believe you want an organisation that lives within its means."

Suspicious that Central Office was spending wastefully on new premises, some associations refusing to contribute to central funds.

major's signal that a relaxation of the Treasury rules on co-operation between public and private-sector investment in public works such as roads was more unexpected.

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The Conservative party organisation is undergoing its

### Cabinet quotes on Europe

"The day of the coded message is coming back... We must rapidly rediscover clear aims and clear policies... We have been the European party since a Conservative government took us into the community over 20 years ago."

Our laws, institutions and sovereign parliament are the essence of our nationhood... That nationhood will not be extinguished. We won't let federalism erode it away. We won't let Brussels take it away."

"Our invisible earnings are a priceless national asset. If you want to hand that over to the Germans and the French, all you have to do is to see us marginalised on the periphery of Europe. No Conservative government would do it."

"We want an end to the cynical charade of countries signing up to new laws to catch headlines at home when they have not the slightest intention of putting them into effect."

"If we turn aside from the mainstream of Europe we will only end up the poorer. How brilliantly Michael Heseltine put it this morning!"

"I do not think that in my lifetime, at the very least, there will be any consent for a massive transfer of sovereignty and power - let alone secession - to a European state."

"One of Britain's eternal interests, perhaps the central one, is to preserve that balance of power in Europe which alone ensures our continuing strength. You can't do that on an 'in and out' basis."

"We have the freest, most competitive market in Europe... Free markets are what the community is about. It is not about accepting restrictive practices from Brussels when we have worked so hard to conquer our own."

"We don't want Britain to be on the sidelines when the security and prosperity of Europe are being decided."

## Major aims for 'lasting recovery'

By Alison Smith

A RENEWED commitment to providing low inflation and low taxation to make the British economy strong came yesterday as Mr John Major insisted that his government would not betray the trust placed in it at the election.

In a bleak passage, he acknowledged the personal hardship that many people were facing during the recession with the loss of their jobs, businesses or homes, and the frustration at how slowly the economy was recovering even though there were some signs of improvement.

That was why the government was determined to find a way of bringing about sustainable prosperity. "I don't want a temporary cure, I want a lasting recovery," the prime minister said.

Mr Norman Lamont, the chancellor, was singled out to be thanked for his "courage" in bringing inflation down. The government's specific promise on inflation was restated in the phrase: "We must keep it down at the point where it no longer interferes with the decisions that people and businesses have to make in their daily lives."

The prime minister brushed aside the difficulties of sterling's suspension from the exchange rate mechanism, which was mentioned just once in his 59-minute speech, with the comment that last month the mechanism "was no longer the servant of Europe's prosperity."

Instead, he concentrated on the way in which low inflation, together with the lower exchange rate, provided a great opportunity for British business and exports.

He underlined the government's pledge on keeping to its public-spending targets and on having low taxes, not just for individuals but for companies:

"Those who build up new businesses must be confident they won't be stifled by taxation."

While there were regular bursts of applause in the economic passages in Mr Major's speech, the emotional and intense audience reaction was reserved for other subjects - particularly the outpouring of feeling provoked by his commitment never to let our distinctive British identity be lost in a federal Europe.

By contrast, the representatives listened silently and attentively to much of Mr Major's argument that Britain could not "pull up the draw-bridge and live in our own private yesterday", and the clapping then was polite rather than heartfelt.

There was even some hissing when Mr Major mentioned Maastricht.

The speech was remarkable for its absence of attacks on Labour and the Liberal Democrats to rouse the Tory faithful, but after a week that has exposed deep Conservative divisions, Mr Major still played some populist notes that saw his party united on traditional areas closest to its heart.

His comments on new rights against unlawful strikes in the public services; on cracking down on crime; on action to deal with "new age" travellers - "If doing your own thing means then you are exploiting the social security system and sponging off others, then I don't want to understand" - and a commitment to "old-fashioned" school standards and teaching methods all produced loud appreciation.

Representatives roared approval when he said that the plans to set up "education associations" to run inner-city schools if local councils failed would mean a further row with the educational establishment.

"I look forward to that," he told them. "It's a row worth having."

## Thames in row over TV film rights

By Raymond Snoddy

A ROW over television film rights might lead to litigation between Thames Television and Carlton Communications, which won the London weekday franchise in last year's tenders.

Thames says Carlton has not offered enough for the rights to show several hundred feature films in the London region. Thames, which loses the London franchise at the end of the year, intends to keep the rights and show the films on Channel 5 if the new channel gets the go-ahead.

Thames leads the only consortium bidding for the Channel 5 licence and the Independent Television Commission will decide next month whether to award it.

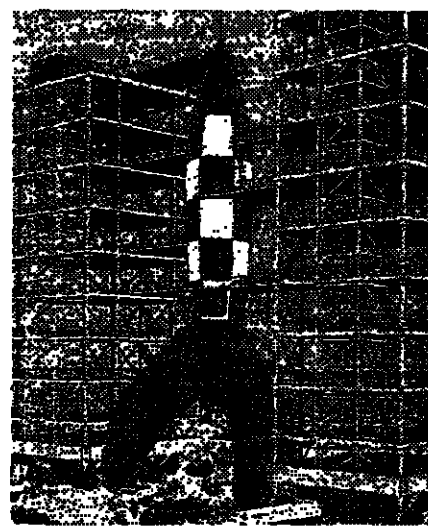
If Carlton does not obtain the rights, it may be unable to show films being carried by the rest of the ITV network.

Thames wants £20m for its share of the rights, which are bought collectively on behalf of ITV. It is believed the Carlton bid is around £2m.

Carlton Television said yesterday: "The films in question can only be played on Channel 3. There is no question of their being available for transmission on Channel 5 even if it is licensed by the ITC."

## AA may shed 350 jobs

THE Automobile Association may shed up to 350 jobs as part of moves to improve efficiency and service. It said the move would affect mainly administrative staff and there would be no reduction in the number of AA patrols. It employs more than 15,000 people.



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# Vauxhall beats Ford in company car league

By John Griffiths

VAUXHALL has overtaken Ford for the first time as the most popular make of company car in an annual survey of nearly 600 businesses.

The survey by Company Secretary's Review, one of the industry's best-known market monitoring organisations, covered companies operating a combined fleet of 35,000 cars. It found that Vauxhalls accounted for 31 per cent of the total, while Ford's share had

slipped to 25 per cent from 42 per cent.

The share of third-placed Rover Group, at 10 per cent, represents a fall from 14 per cent last year. The study says that Rover's drop is probably accounted for by its refusal to offer the same level of discounts as its larger rivals, in spite of the fierce price war raging in the deeply depressed market for new cars.

The study examines in detail the size of discounts obtained by the surveyed companies.

It finds discounting highest among the volume producers, and appears to dispel the widespread notion that some prestige cars, such as Mercedes-Benz, are not discounted by their dealers. For example, an average discount of 7.9 per cent was reported as having been obtained on the Mercedes 190, higher than either the 7.5 per cent achieved on Jaguar's saloon range or the 6.1 per cent obtained on BMW's 3-series cars.

Among the volume car man-

ufacturers, the survey says, Ford discounts are "consistently higher than those of Vauxhall or Rover, with around 15.5 per cent obtained on every model".

A mean discount of 14.9 per cent is found on the Vauxhall Cavalier, now the single most popular car with 19 per cent of all sales. However, the survey concludes that "this figure drops on other Vauxhall models". Ford's Sierra is the second-most popular car, but it trails well behind the Cavalier

in accounting for only 12 per cent of the surveyed fleet and is being replaced next year by a new model, the Mondeo.

Although the survey finds that discounts of 15 per cent are available on Rover's aging Montego and Maestro models, those available on the mainstream Rover 200, 400 and 800 ranges are between 11.2 per cent and 12.2 per cent - more than 3 percentage points below Ford.

The biggest discounts were to be found among Peugeot

and Citroën models. The French group has more than doubled its share in the surveyed fleet, and with a combined 11 per cent is ahead of Rover. However, "they continue to boost their presence in the fleet market by selective heavy discounting of over 15 per cent in some cases".

Among other findings, the survey says: "Companies are keeping cars longer and running them to higher mileages. Some 35 per cent now run cars for more

than 65,000 miles, up from 25 per cent a year previously.

There is strong evidence of "down-sizing" of cars made available to employees, with the trend most notable among senior managers.

In spite of the recession, only half the companies surveyed make a concerted effort to monitor company car costs.

Survey of Company Car Schemes. Tolley Publishing Company, Tolley House, 2 Addiscombe Road, Croydon, Surrey CR9 5AF. £45.

## Bloomfield avoids going bankrupt

By Vanessa Houlder, Property Correspondent

MR PAUL BLOOMFIELD, a prominent property trader with debts of nearly £60m, has avoided bankruptcy by agreeing a voluntary arrangement with creditors. The agreement, under UK insolvency law, gives him five years to repay 50p in every pound he owes.

Mr Bloomfield was the deal-maker behind some of the largest property transactions of the 1980s, notably for Mountleigh, the property company that is now in receivership. The deals included Paternoster Square, the former Observer headquarters and plans to redevelop Battersea Power Station with Mr John Broome.

Mr Bloomfield was a bankrupt for 20 years until the bankruptcy was annulled in 1988. Apart from personal assets of £500,000, his only source of funds to repay his creditors are potential profits from deals enacted by his companies. He can continue to be a director of more than 30 companies which include Fortledge, his main vehicle, and Keatway, a company formed from the restructuring of Benlox, the troubled building and engineering company.

A spokesman for Mr Bloomfield said he was confident that he would repay his creditors in full. His proposed deals include Russian timber contracts and an £85,000 acquisition of the Roundhouse in Camden, north London.

Mr Bloomfield's largest creditor is United Dutch Group, which claims that he owes it £23.8m, although Mr Bloomfield says the debt is £23m. In 1990, United Dutch Group bought ICA Holdings, Mr Bloomfield's vehicle for his attempted redevelopment of Battersea Power Station.

Mr Bloomfield also owes £7.5m to Lomrho's Observer subsidiary, £2.5m to Greenaway Harrison, a subsidiary of the Observer, and £100,000 to Ashraf Marwan, an Egyptian financier. He has also given personal guarantees of £7.2m to Credit Suisse and £6.5m to HongKong & Shanghai Bank.

The nine creditors have appointed Mr Richard Long of Robson Rhodes, the accountancy firm, as supervisor to the five-year repayment programme. "He is adamant that everyone will be paid back," Mr Long said.

## House gloom deepens as prices fall by 3.1%

By Andrew Taylor, and David Barchard

THE CRISIS in the housing market deepened last month, with UK house prices falling, on average, by a record 3.1 per cent. Halifax, Britain's biggest building society said yesterday.

The fall in prices was twice as large as any monthly drop since the society began publishing its house-price index in 1983. It was the third successive month in which prices fell.

Halifax blamed the sharp decline on a bunching of sales in August, as buyers rushed to beat the deadline for the end of stamp duty concessions. It added that concern about rising unemployment and the state of the economy was continuing to sap confidence in spite of reductions in mortgage interest rates after sterling's withdrawal from the European exchange rate mechanism.

The society said further cuts in interest rates were needed if

confidence was to be restored. Government measures to boost the housing market would also be welcome.

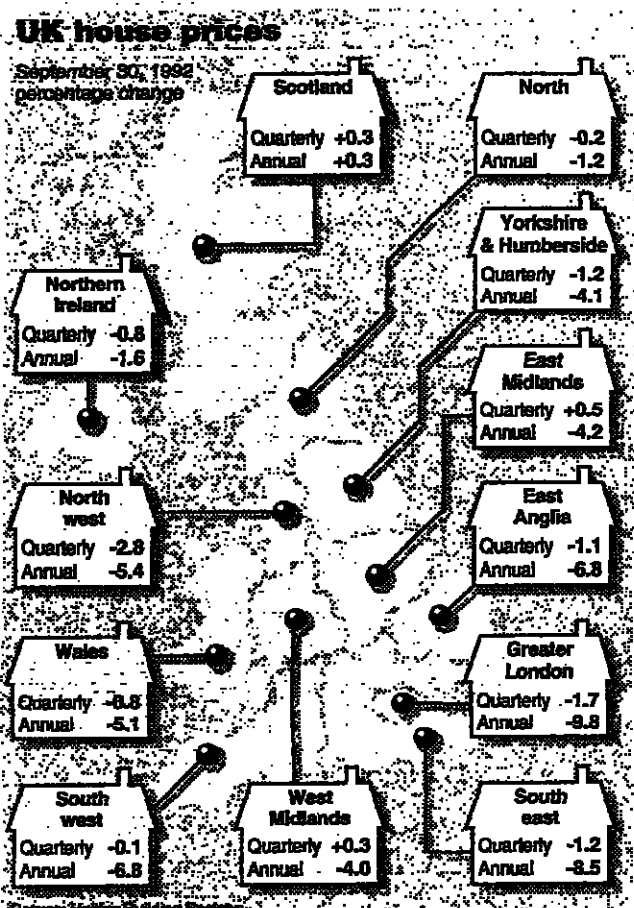
The figures for September are particularly disappointing, as sales normally pick up after the end of the school summer holidays. That failed to happen this year. Both sales and demand for mortgages - reflecting sales likely to be completed this month and next - fell sharply compared with September last year. Some estimates suggest sales could have been as much as 40 per cent down on September last year.

According to the Halifax, the average price of a UK house fell by 7.5 per cent to £22,505 during the 12 months to the end of September.

The biggest falls have occurred in southern England. In the past 12 months, prices have fallen by 9.8 per cent in London, by 8.5 per cent in south-east England as a whole and by 6.8 per cent in south-west England and East Anglia. By comparison, prices in northern England have fallen by 1.2 per cent and prices in Scotland have risen by 0.3 per cent.

An average house in Greater London, however, still costs £24,511 compared with £26,455 in south-west England; £20,579 in East Anglia; £21,506 in the West Midlands; £25,523 in north-west England; £22,543 in Scotland and £22,033 in Wales.

"This is extremely bad news," said Mr John Wrigglesworth, housing market analyst at stockbrokers UBS Phillips & Drew. He said the market trend was still "sharply downwards" and that there was little prospect of a recovery before 1994 without the government providing "a major fiscal 'kick start' for the market".



BT is to spend more than £25m over 12 months to try and halt payphone crime. Dennis Gots, BT detective resources manager, is pictured yesterday with smashed cash boxes and tools used to open them, including imitation guns. Picture: Ashley Ashwood

## US urged to approve BA deal

By Paul Betts, Aerospace Correspondent

BRITAIN called on the US yesterday to approve British Airways' \$750m (£441m) investment in a 44 per cent stake in USAir as a step towards total liberalisation of air services between the two countries.

The Department of Transport said the UK had put forward "serious and detailed proposals" to open up US/UK air services during negotiations in Washington this week.

The proposals contained "a substantial range of liberali-

sation measures which can be taken in the short term". The UK said it was waiting for a "serious response" and warned that progress on liberalisation would hinge on the US approach to the BA-USAir deal.

"US approval will signal a liberal attitude and facilitate liberalisation: rejection or delay will be an illiberal signal and will inhibit the timetable," the government said.

The UK proposals are understood to involve three stages: first, opening up routes to regional UK airports from any US gateway; followed by

greater access to London airports; and finally the lifting of all controls on capacity, access and designation.

In return, the UK is asking for a procedure to prevent dumping by US carriers on the UK market and a procedure to settle eventual disputes.

The UK is also asking for the easing of rules on foreign ownership of US airlines. As a first step, foreign carriers should be allowed to acquire 49 per cent of the voting rights of US carriers instead of the present 25 per cent. The UK would eventually like to see all US limits

on foreign ownership lifted. Negotiations between the two sides are due to resume in London on October 20.

The US authorities have come under intense pressure from the three biggest US carriers - American Airlines, United Airlines and Delta Air Lines - to block the BA-USAir deal unless they can first secure greater access into the UK and continental European markets.

United Airlines said yesterday the UK position was "neither a detailed nor serious liberalisation proposal".

## Clothes prices lift RPI

By Emma Tucker, Economics Staff

PRICE increases for clothing and household goods as new stock entered the shops and summer sales ended spurred the 0.4 per cent increase in the retail prices index last month, compared with August.

In September, prices of clothes and shoes rose by 4 per cent on the previous month, the biggest rise in the sector for any September since 1971. However, on an annual basis prices continued to fall. They were 0.1 per cent lower than a year ago.

The figures from the Central Statistical Office showed that deater leisure services and a smaller-than-expected fall in seasonal food prices also

contributed to the rise in the retail prices index from 138.9 in August to 139.4 last month.

The CSO said seasonal food normally falls in September, but this year's drop was not as sharp as last year's, which was exceptional. Fresh fruit and potatoes were cheaper but there were price increases for some other fresh vegetables. As a result, seasonal food prices fell by 0.5 per cent in the year to September, compared with a drop of 1.2 per cent in the year to August.

Housing costs increased by 0.2 per cent last month. The CSO said that reflected an increase in the index for mortgage interest payments as the average outstanding mortgage debt continued to rise. On an

annual basis, housing costs rose from 3.7 per cent in August to 3.9 per cent last month.

The recent cut in base rates from 10 per cent to 9 per cent is not expected to affect the headline rate of inflation until November. A reduction of 1 percentage point in mortgage interest rates might knock about 0.4 percentage points off the all-items index.

Higher fees for evening education classes at the beginning of the academic year pushed leisure services prices up by 2.2 per cent on the previous month.

Lower prices for secondhand cars and cheaper petrol contributed to the 0.5 per cent fall in motoring expenditure last month.

UK inflation rate (+3.6%) RPI: 139.4 in September

Housing (172)	+3.9%
Motoring (143)	+4.8%
Food (non-seasonal) (130)	+2.9%
Alcoholic drink (80)	+4.8%
Household goods (77)	+1.6%
Clothing & footwear (58)	-0.1%
Household services (48)	+5.1%
Leisure goods (47)	+2.4%
Catering (47)	+5.4%
Fuel & light (47)	-0.4%
Personal goods, serv. (40)	+5.7%
Tobacco (36)	+3.5%
Leisure services (32)	+6.4%
Food (seasonal) (22)	-0.5%
Finance & travel costs (20)	+5.7%

Figures in brackets are weights in retail prices index in parts of 1,000. Percentages represent annual % change in September 1992. Source: CSO.

## Suspended jail term for Manx bank chief

By Ian Hamilton Fazel, Northern Correspondent

MR ROBERT KILLIN, 61, managing director of the collapsed Isle of Man Savings and Investment Bank, received a 12-month suspended jail sentence yesterday for conspiracy to defraud.

Judge Robert Hardy said his decision to suspend sentence in the case - which resulted from a £50,000 fraudulent land deal - was because of the length of the investigation and the trial at Manchester Crown Court.

The bank collapsed 10 years ago with £42m of depositors' funds, after a series of risky, unsecured loans. Slack supervision by the Manx authorities had allowed it to trade for 18 months while insolvent.

Investigations on the Isle of Man and in Britain took more than six years. Trials of the bank's principals on the Isle of Man collapsed in 1990 because of delays in bringing charges.

Mr Robert Cunningham, general manager of the bank, was given a 12-month suspended sentence last month. Sentencing of Mr Killin had been deferred. Both had denied conspiracy to defraud in a four-month trial.

The fraud involved land at Baxendale, Lancashire, which was bought for £20,000 and sold the same day for £285,000 to Pennine Commercial Holdings. The bankers were given shares afterwards and Mr Killin sold his for more than £20,000.

The land had an inflated value because of a false valuation by a surveyor. The Savings and Investment Bank provided the £20,000.

Mr David Knott, Pennine's managing director, also benefited from the illicit profit of £550,000 on the Baxendale deal. He admitted conspiracy in August 1989 and was jailed for six months with the balance of a two-year term suspended.

## World accounts standards sought

By Andrew Jack

THOSE WHO set accounting standards should prepare a minimum core list of requirements for companies seeking an international stock exchange listing, Mr Hugh Cullum, chairman of the Hundred Group of finance directors said yesterday.

Speaking at the Board of Chartered Accountants conference in Bristol, Mr Cullum, finance director of SmithKline Beecham, the Anglo-American drugs and consumer goods group, emphasised the importance of harmonisation of accounting across national borders.

He said directors needed to create standards that deliver "equitable, accurate, transparent, comprehensive and comprehensible accounts". The dif-

ferent standards between the UK and the USA reduced accountability "to the status of tribal black magic", he said.

Mr Cullum believed that the US Securities and Exchange Commission, which polices the securities and investments industry, and the Financial Accounting Standards Board, which sets accounting standards in the US, is developing core standards in conjunction with the EC. In practice, he expected much of the initiative to derive from the UK's Accounting Standards Board.

Mr Cullum said businesses and the accounting profession had helped to undermine corporate financial credibility through competitive pressures, loose accounting standards, inadequate financial control systems and confusion over responsibilities.

## Chancellor scores inflation bull's-eye

Economists are divided over when devaluation will upset his aim, says Emma Tucker

IT IS RARE these days for news on the economy to comfort Mr Norman Lam, the chancellor. But yesterday's announcement that underlying inflation had conveniently dropped to the upper limit of his newly announced target of 1 per cent to 4 per cent, must have prompted at least a small smile.

The retail prices index excluding mortgage interest payments grew by 4 per cent in the year to September, its lowest level for 4½ years. The overall index was unchanged at 3.6 per cent. Even better news for the chancellor is that both measures are expected to continue falling - at least for the time being.

While economists are united in the belief that inflation is on a downward path, they are less certain about when sterling's recent devaluation will spur an increase in the rate of price rises.

Mr David Walton, an economist at Goldman Sachs, says the outlook for inflation is good because the devaluation was "superimposed on an extraordinarily favourable

base line for inflation". He argues that prices will not move sharply upwards in response to the devaluation - as traditional models would suggest - since the economy is still in recession. Mr Walton believes that without the devaluation, inflation would have dropped below zero by 1994.

"Even after the devaluation shock, we expect retail price inflation to drop to 2.5 per cent by the end of next year, and any pick-up thereafter might be very modest," he says.

Mr Peter Spencer of Kleinwort Benson is less sure. "Although inflation will continue to fall for the next 12 to 18 months, it will become a problem as soon as the economy recovers. There are a lot of latent inflationary pressures - most obviously the devaluation itself," he says.

Technical factors will ensure that the headline RPI, which includes mortgage interest payments, will continue to fall for the time being. Mortgage interest payments have a weighting of almost a fifth of the overall index so the recent reduction

in base rates to 9 per cent - and any subsequent cuts - will exert a significant downward influence on it as building societies and banks reduce interest charged on mortgages.

Technical factors aside, weak consumer demand and rising unemployment should ensure that the underlying rate of inflation - which excludes mortgage interest payments - will also continue its downward path.

Growing joblessness will act as a barrier to consumer confidence, without which a strong recovery on the high street cannot take place. Because of that, retailers will attempt to absorb the cost of higher import prices - other than for products where demand is exceptionally buoyant, such as computer games - until they can be confident that passing the increases on to consumers will not damage sales.

Professor Douglas McWilliams at the Confederation of British Industry says that is already happening. BMW, the German car manufacturer, for example, has not adjusted the price of its new eight-

cylinder model that came on the market two months ago.

Eventually, however, the devaluation will exert upward pressure on prices. "We believe inflation will move above 4 per cent towards 5 per cent during 1994 and certainly during 1995. The chancellor has set an extremely ambitious goal that will be difficult to meet even if he adopts a very cautious approach to monetary policy," Mr Spencer says.

Higher import prices will have the most immediate impact on inflation as manufacturers see the prices of raw materials increase.

That will be noticed as early as this month in the input price index for materials and fuel. In August, input prices were falling at an annualised rate of 1.9 per cent, but that trend is now likely to be checked. In spite of sluggish world economic conditions.

The output price index - which tracks the prices of goods as they leave factories - will eventually follow, but

manufacturers say they intend to absorb the increases for the time being.

In the high street, price adjustment will be slower, with margins continuing to take the strain. However, the RPI weights for food, drink and tobacco, household goods and clothing and footwear add up to about 40 per cent of the total index. High import penetration across those sectors would exert pressure on the index.

In the longer term, higher inflation and expectations of higher inflation will exert upward pressure on average earnings as employees attempt to protect the value of their real wages. However, as long as unemployment is rising, workers will remain powerless to influence pay settlements.

A higher RPI may also, in the long run, raise prices through indexation. Privatised utility prices, for example, are regulated according to a formula using the RPI.

The last and most distant phase of the process would be when higher pay deals lead to a further round of price rises and a wage-price spiral begins.

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## FINANCIAL TIMES

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Saturday October 10 1992

## Pause for breath

AFTER THE most turbulent month on the foreign exchanges since the collapse of the Bretton Woods fixed exchange rate system in the early 1970s, a semblance of calm returned to the dealing floors this week. The D-Mark, hitherto Europe's safe-haven currency, even managed to show faint signs of weakness not only against sterling and the lira, but against the dollar and the yen as well.

It came not a moment too soon for Europe's political leaders, who are due to meet at next Friday's summit in Birmingham. One of their urgent priorities must be to find ways of reassuring a European electorate whose enthusiasm for ever closer union has been sapped by everything from high unemployment to growing doubts about the contents of the Maastricht treaty.

Yet the question remains. Is it the calm after the storm or the lull before the next onslaught? Everything points to the latter, although it would take a brave pundit to forecast when the onslaught will start again. All that has happened since September 16, the fateful day on which sterling parted company with the exchange rate mechanism, is that the more extreme tensions within the system have found a temporary resolution.

With sterling and the lira out of the frame and the peseta realigned within the system, the immediate friction has been reduced. The success of the joint front presented by the French and Germans against the markets' assault on the franc further stiffened the defences of what remained of the ERM. Just to round off the picture, the markets had second thoughts on Thursday about the likelihood of a cut in the discount rate in the US and decided that the recent decline in money market rates in Germany might be an indication of looser policy to come from the Bundesbank. A cut in the Italian central bank's key rate lent strength to that happy speculation, which resulted in short covering by traders in the dollar and a consequent weakening in the D-Mark.

### Policy gaps

But speculation it remains; and there is no shortage of German economists who suspect that the Bundesbank will cut later rather than sooner. Meantime the most striking feature of the outlook for the markets is the uncertainty that surrounds the main actors in the drama. As the momentum of Governor Bill Clinton's election campaign becomes more impressive, the gaps in his economic policy proposals, most notably in relation to the budget deficit, become more striking. There is ample scope for nervous eruptions

as the election approaches. In Germany the real economy appears to be slowing fast, as the strength of the D-Mark bites into the competitiveness of the tradable goods sector. Yet the inflationary pressures are greatest in the service sector of the economy, which strengthens the hand of those on the Bundesbank council who will want to delay the interest rate cuts that hold the key to keeping predators away from the weaker currencies in the ERM.

### Nerve-wracking

Forecasting the outcome of the Italian budgetary dilemma is a nerve-wracking proposition. For its part, Britain's Conservative government faces a stormy autumn as it embarks on the ratification process for Maastricht. The best that can be said, after this week's Tory party conference, is that Mr Major has come out of his corner fighting and that some of his ministers, most notably the foreign secretary, Mr Douglas Hurd, have proved better advocates for the European cause than some had expected.

Yet the real conundrum for the markets – and the prize, for the speculators – remains the franc. With growth running at around 2 per cent, a rate of inflation lower than that of Germany and no strain evident on its current account, France looked a much more credible candidate for support within the ERM than Britain. But the cost of that support has been debilitating for the reserves – and for the French banking system, which has been instructed by the government not to raise lending rates, while deposit rates have soared.

This week, three-month Euro-currency interest rates stood at 12½ per cent for the franc, against comparable D-Mark rates of 8½ per cent and sterling rates only marginally higher than that. In effect, the asset side of the French bank balance sheet is under firm state control while the liability side is not – a recipe for increasing losses and, ultimately, if short-term rates do not come down fast, a deterioration in French public finances.

On the trading front France is vulnerable to the German economic slow-down, while it has seen a marked loss of competitiveness – and for the French banking system, after its recent devaluations. All this as next year's elections loom closer, thereby adding political sensitivity to any interest rate rise in support of a beset currency.

As long as French and German economic policies are on a divergent tack, the hard core of the ERM is not out of the wood; and for the markets more generally the breather looks temporary.

Stumbling out of the wreckage, Mr John Major has wrapped himself in the Union Jack. Thus protected from the chill blasts of party disunity he proposes to stagger, then walk, hoping eventually to trot in the same direction as he set himself when he became prime minister two years ago. If you make the charitable assumption that his government will not fall flat on its face again, you could persuade yourself that the after-shocks of Black Wednesday will come to be seen as blips on a glorious rising graph delineating the achievements of the post-Thatcher period of Conservative rule.

That, at any rate, is the conclusion we are intended to draw from Mr Major's address to the Conservative party conference in Brighton yesterday. The prime minister's European and economic strategies were blown apart when Britain was forced to leave the exchange rate mechanism on Wednesday September 16. Bits and pieces of those same strategies have been waved aloft at the conference every day this week. In his speech yesterday Mr Major signalled that he hopes to put them together – that nothing has changed.

The Maastricht treaty will be ratified. That has been loudly proclaimed. Britain will re-enter the exchange rate mechanism, perhaps within a year. That has been loudly proclaimed. The near-elimination of inflation will still be the objective; there will be no dash for growth. That was intimated by the chancellor on Thursday and emphasised with somewhat more courage by the prime minister yesterday. Until further notice, the same chancellor will be in charge. Nobody has much to say in public about that, although Mr Major did slip an endorsement of Mr Norman Lamont into his speech.

This methodical reconstruction of the authority of his administration cannot properly begin until there is an acceptance of the Maastricht treaty. By the time it gets through – if it does – it may be a meaningless bit of paper, many of its clauses neutralised by addenda designed to suit the Danes and allay the fears expressed by doubters in both Germany and Britain.

The Danish bid, put in yesterday, takes Britain some way towards its objectives. A German paper, now circulating, may take the process even further. A sketchy plan to curb the powers of the European Commission is emerging. All that is, however, beside the point. The fate of something more than mere nations – namely the careers of Mr Major and his colleagues – depends on Parliament swallowing the treaty. After yesterday, we are supposed to rest assured that it will.

On Monday night ministers arriving in Brighton were distinctly nervous about the prospects. No one could tell whether there would be an uncontrollable anti-Maastricht revolt. The government's business managers knew – and still know – that getting the bill to ratify the treaty through the Commons will at best be a lengthy and exhausting process, with no guarantee of success. What they could not foresee was whether the anti-Europeans would gather recruits from among the ideological innocents who make up the great centre of the Conservative party.

The anti is a disparate gang, led by two stars in ermine, Lord Tebbit and Lady Thatcher (she who, at Bruges in September 1988, so memorably denounced European centralism). Some are merely narrow nationalists. Others are anti-

Major and Lamont have survived a rough week in Brighton despite a dearth of new policy directions, says Joe Rogaly

## We've walked this road before



immigration fanatics; yet others the grandchildren of the old empire loyalists, or Lord Salisbury's defenders of white Rhodesia. A few, such as John Biffen, are attractive and civilised advocates of a respectable point of view, blessed with a sense of constitutional and parliamentary history and possessed of a wide vision reaching from the Atlantic to the Urals. Some, such as Mr William Cash, are unstoppable Euro-bore. The great majority represent the least attractive aspects of modern conservatism.

It is to the credit of the government, and some of its own stars, that at this week's fixture Maastricht United defeated Bruges City. The ermined strikers overreached themselves. On Tuesday Lord Tebbit's carefully rehearsed impersonation of Brutus roused the noisy minority and provided good television. It was, however, an ego trip too far, and the majority in the conference hall eventually came to realise it. They started to do so after a passionate, and magnificent, speech by Mr Douglas Hurd. His arguments appealed to reason, although, the way I recall it, he was saying in his peroration that if you are against Maastricht you are for murdering starving babies in Somalia. Perhaps he was not quite so shameless, but you get the picture. When Mr Hurd expresses such passion in public, even the Conservative party knows that something

important is going on.

Mr Michael Heseltine played the conference with his customary skill. His crescendo, his soft-voiced charges of pace, his good fortune in his backers, his every pause struck home. It might have been the clincher – but for a newspaper article written by Lady Thatcher. In it she denounced the policies she had implemented when in government. Would this sway the force of the debate away from Mr Major's team? It did not. It was as much of a mistake as Lord Tebbit had made. When she entered the hall on Thursday morning she was given a rousing welcome by a substantial minority of those present, but many sat on their hands. She watched from the platform, a slightly diminished figure, while a speaker from Cheltenham reminded her that the minority and provided good television. It was, however, an ego trip too far, and the majority in the conference hall eventually came to realise it. They started to do so after a passionate, and magnificent, speech by Mr Douglas Hurd. His arguments appealed to reason, although, the way I recall it, he was saying in his peroration that if you are against Maastricht you are for murdering starving babies in Somalia. Perhaps he was not quite so shameless, but you get the picture. When Mr Hurd expresses such passion in public, even the Conservative party knows that something

Yesterday Mr Major sought to take the cup. He threw in every rhetorical device his platform personality will allow. "You cannot bully Britain," he said, in what for him was a Churchillian growl. He would put the interests of his country "first – now and always". He insisted, in his version of a Thatcher oratorical, He did seek to explain, at some

length, the simple proposition that Britain cannot afford to stand outside the goings-on on the Continent. He made a creditable attempt to educate his party workers. In my view – but then I have always been a believer – he won the argument. Maastricht does represent a turning away from a centralised Europe towards a congeries of sovereign states, whose elected governments co-operate through a series of constantly renegotiated intergovernmental agreements.

The ERM building block may be harder to put in place, even though it should logically come next. It is several ifs away, so we cannot be sure. It could become irrelevant if the meeting of European Community leaders in Birmingham on Friday fails to agree on the principles for amendment of the treaty. But, assuming that hurdle is passed, consider the other ifs. If the exchange rate mechanism survives, and if signs of economic recovery are evident in Britain, Mr Major's government, if it is still there, will apply to rejoin. No minister is talking in quite that way. Most are content to let the argument subside for a few months. But the instincts of a strong majority of the cabinet lie in the ERM direction.

Never mind the conditions stipulated in writing, but not in public utterance, by the chancellor on Thursday. They are as the Madrid conditions for joining the ERM,

imposed by Lady Thatcher. When the political time is right, Mr Major and his then chancellor will surely declare that the Lamont conditions have been met, execute an about-turn, and march back in.

But the conference, the wider public and, most particularly, the handful of anti-ERM ministers could not safely be let into this open secret. One or two of the latter threaten resignation rather than accept re-entry; as to the Tory audience the few pro-ERM remarks made from the floor this week were loudly shouted down. Mr Major barely mentioned the dreaded initials.

For the moment he has other preoccupations. His dogged effort to reconstruct his pre-September 16 position might be blown away – strategy, chancellor and all – unless voters and consequently the MPs behind him begin to believe that there will be an end to the recession. At the same time the markets must be convinced that the process will be carefully controlled. The prime minister's real problem, more serious than the exhilarating debates of this week, is that his admirable counter-inflationary drive is still costing more in terms of growth foregone than his supporters, many of them small business owners and employees, can be expected to bear for much longer. From his speech yesterday you have to conclude that he is aware of the problem, but rather less in possession of a solution than he was on September 15.

For the rest, he chose to repackaged well-established themes in the language of conference oratory. A little trade-union bashing here, a re-emphasis of school and hospital cut-outs there, all spiced with a dash of anti-crime platitudes. In some of this he seemed to lean rightwards, perhaps in harmony with his adoption of the flag as a suitable dress in which to cross the Channel. So he attacked progressive education (here I am with him all the way), bureaucratic red tape (who could demur?), the Conservatives' last reorganisation of local government (although he did not put it like that) and, in an onslaught beneath the dignity of a prime minister, new-age travellers. Given his audience this was all predictable and mostly harmless stuff.

In sum, the strong likelihood is that Mr Major will indeed survive. Some three weeks ago he was shattered, personally and politically. This week he seemed to have recovered his nerve. A tinge of anger has crept into his demeanour and even his voice. If he is not tripped up again – in Birmingham, say, or in the Commons, or by a further long run of bad economic news – he will in due course exercise that most potent of all symbols of prime ministerial power and reshuffle his cabinet. He, and we, can never again assume that what he says will happen will in fact take place, but a significant proportion of his former stature is recoverable.

His own awareness of this was evident in his trumpeting of his April 9 election victory yesterday. His contemptuous one-sentence dismissal of the opposition ("Labour and the Liberals are utterly irrelevant") indicates that he knows well enough how strong a position he occupies simply by virtue of the fact that he is a prime minister commanding a working majority at the start of a term that could last another 4½ years. He could be blown off course again, but it would be folly to assume that he will be.

## MAN IN THE NEWS: Chris Patten

## Knocking on Chinese walls

As John Major and Norman Lamont return home from this week's bruising Conservative party conference they might spare a thought for Hong Kong, where their former party chairman has emerged in good shape from a similarly testing week.

On Wednesday, Mr Chris Patten, who in April lost his parliamentary seat and shortly after was appointed the colony's 28th and last British governor, presented a blueprint for Hong Kong's political development over the five remaining years of UK rule. His plans to increase local participation in politics drew a predictably sharp response from China, but in Hong Kong they were well received.

Polls show his personal approval rating at nearly 70 per cent and approval for his measures nearer to 80 per cent. Most astonishing of all, an estimated 10m people in neighbouring Guangdong province on mainland China watched Mr Patten's first public meeting, broadcast live on television in English and Cantonese on Thursday evening.

What they, and the people of Hong Kong saw, was the governor explaining why his proposals for greater democracy were necessary for Hong Kong's future stability and prosperity. Of equal importance, they saw him take questions from ordinary people about his plans for increased spending on health, education and the environment. The governor answered candidly and with humour.

Speaking in his office at Government House yesterday and flanked by photographs of RAB Butler and Edward Boyle – two leading British Conservative education secretaries – Mr Patten was in reflective mood. He appeared conscious of the

historical significance of his task, clear in his aims and alert to the risks of failure.

"I'm aware that a lot of people are going to see a good deal of our colonial history through the prism of how we manage things in Hong Kong," he said. "So I'd like in 1997 to have been thought to have done that job honourably and honestly."

When Mr Patten arrived in Hong Kong in July he brought a tradition of Westminster democracy unknown to the people of Hong Kong. His penchant for chatting to people on the streets – engaging in, as he says, "a little retail therapy" – has paid handsome dividends.

But there is a political point to this open and accessible style of leadership. Together with answering questions in the legislative council, the colony's foremost law-making institution, which he hopes will be a permanent feature of his governorship, this openness is his way of demonstrating that accountability can produce better government. This accountability acts, he hopes, as a counterweight to the legitimacy he lacks as an unelected political leader.

"I believe that the people of Hong Kong have to be consulted about their future political developments, not just diplomats in London and Peking," he says.

Despite full backing from London for his plans, Mr Patten faces a daunting task in trying to win China's acquiescence. He must convince Beijing that his proposals are in its interests.

He has therefore challenged China to make alternative proposals capable of winning the support of Hong Kong's people. At the same time Mr Patten will remind China that whatever plans he finally agrees have to win the support of



Patten: approval ratings are up

the legislature.

But what if Mr Patten fails, as some political commentators in the colony predict, to convince China that his course of action is best for Beijing and Hong Kong? Mr Patten's response borders on a call for 'unilateral action' possibly pressing ahead with the blueprint without China's approval.

"We may have to agree to differ," he says. "I remain solidly of the view that we can demonstrate in Hong Kong, between now and 1997, that our governing institutions work effectively, and I don't think people change things that work effectively. I remain very confident about that."

"The notion that preventing people moving modestly forward towards their political aspirations is the right way of promoting political stability, whereas trying in a reasonable way to accommodate those modest ambitions does the reverse is, in my judgment, and I would have thought the judgment of his-

tory, preposterous." Mr Patten is equally robust in his defence of the rule of law. It is almost more important than anything else in the colony, he says, mindful of the deep-seated fear among the people of Hong Kong that come 1997 corruption could engulf the colony as it has in China.

"It's the rule of law and a pretty competent and clean government which have been part of the mix [of Hong Kong society] that has produced this economic miracle. I've got no doubt about that. The stability, the certainty, the security which the law provides is absolutely key."

Mr Patten's plans for Hong Kong have been described by local commentators as "bold" and "forthright". Yet these adjectives could soon give way to "over-optimistic" and "foolhardy" if China wages a campaign to undermine and discredit the Patten blueprint. The stakes are high.

He is wise enough to recognise this, and brave enough to speak candidly of the consequences. He has a clear idea – based on his own ambitious definition of success – of what constitutes failure.

It is "above all, being thought not to have recognised our moral as well as political responsibility for the way of life of the people of Hong Kong."

"But it would also be failure if I wasn't able to persuade China that Hong Kong is mature, sophisticated, modest in its political ambitions and capable of doing a lot more to look after its own affairs."

"I would have failed if I hadn't been able to persuade China that politics in a free society is no threat; I'd have failed if I wasn't able to convince the people of Hong Kong to have the same sort of resilience and self-confidence in the modestly democratic conduct of their own affairs which they show every day in every financial and commercial market in the world. That would be failure. But, I may well fail."

Simon Holberton

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## COMPANY NEWS: UK

## Trafalgar beats off predator

By Roland Ruddy

HONGKONG LAND has only increased its stake in Trafalgar House by a negligible amount after its tender offer closed yesterday afternoon.

Hongkong Land, which recently bought a 14.9 per cent stake, was unable to push its holding above 15 per cent. It will formally announce the result on Monday.

The colony's leading property and development group hoped to take its stake up to 29.9 per cent.

Directors at Trafalgar, where the board will meet on Monday to discuss the issue, said the

result vindicated their arguments that their property, construction and engineering group was worth considerably more than the 85p a share offered by Hongkong Land.

They also said they were delighted with the loyalty shown by shareholders. Mr Simon Keswick, chairman of Hongkong Land, and Mr Henry Keswick, chairman of Jardine Matheson Holdings, which controls a third of Hongkong Land, are expected to seek a meeting with Sir Nigel Brookes and Sir Eric Parker, Trafalgar's chairman and chief executive respectively.

The Keswicks are still hop-

ing for representation on Trafalgar's board and are expected to tell Trafalgar's directors that their international contacts could help the group secure further contracts. They are also expected to argue that they have strengthened the group by underpinning the price of Trafalgar's shares through their offer of 85p a share.

One item for discussion will be Trafalgar's hotels which Trafalgar is trying to sell. The Keswicks are expected to argue that the group no longer needs to make what appears to be distressed sales. Trafalgar, however, is unlikely to feel

under any pressure to heed the Keswicks' wishes.

Nonetheless, some of the group's shareholders yesterday said Trafalgar should not interpret their decision not to sell in the tender offer as an endorsement of the group's strategy and management. Trafalgar's shareholders did not believe that 85p a share represented good value. Many are waiting to see whether Hongkong Land continues to try and buy more shares or launches a full bid.

The ordinary shares closed yesterday at 86 1/4p and the A shares at 82 1/4p.

See Lex

## MAI sells Avenir stake to French parent

By Maggie Urry

MAI, the financial services and media combine, is accepting an offer from Havas, the French media group, for its 15.2 per cent stake in Avenir Havas Media, the outdoor advertising group.

MAI will receive convertible bonds with a nominal value of £40m which are redeemable in 1997 for £31m, giving a yield to redemption of 7.7 per cent. The deal would add £24m to MAI's net worth, taking it to £198m.

Havas has made the same offer to other minority holders in Avenir, in which it has a near 66 per cent stake.

The bonds will bear a 3 per cent coupon and be publicly listed.

Lord Hollick, managing director of MAI, said the sale would boost MAI's post-tax income, as the coupon on the bonds would exceed the dividend the group had been receiving from its Avenir shares.

In pre-tax terms the sale would lock in a level of profit - on the 7.7 per cent yield - higher than the £2.2m contribution made in the year to June when profits at Avenir were depressed.

The sale would take MAI's net cash to about £150m. Lord Hollick said the group was in the middle of a 27m investment programme, which included expanding on Meridian, the TV company which starts broadcasting in January.

The stake in Avenir dates back to 1989 when MAI and Havas each injected their media interests into it.

At the time MAI held a 36 per cent interest, which was reduced through sales in 1990 and 1991. This disposal will take the total proceeds from advertising to £200m.

MAI's accounts, published yesterday, show that Lord Hollick's remuneration during the year was £426,000, up from £348,000 the previous year, and nearly returning to the £430,000 he received in 1990.

Havas yesterday denied that it had been building up a stake in Hachette, the heavily-indebted French media group, writes Alice Rawsthorn in Paris. Hachette claimed on Thursday that Havas had been buying its shares.

The Commission des Opérations de Bourse, the French stock market's regulatory body, said it was investigating dealings in Hachette shares, which rose sharply mid-week but fell back on Friday on Havas' denial.

## Lamont shares dip sharply after 44% profits shortfall

By Paul Taylor

SHARES IN Lamont Holdings, the Northern Ireland-based carpets and textiles group, fell yesterday by 65p to 233p after the group reported a 44 per cent decline in interim pre-tax profits accompanied by a somewhat gloomy assessment of the market from Sir Desmond Lormer, chairman.

Pre-tax profits in the six months to June 30 dropped from £3.52m to £2.13m as turnover in the main carpet division declined by 13 per cent and margins came under severe pressure.

Earnings fell to 5.61p (10.55p) per share, but the interim dividend is being maintained at 3.5p on capital increased by the June rights issue, costing £1.05m (£530,000).

Mr Richard Milliken, chief executive, expressed surprise about the share price drop which he said appeared to be a market "over-reaction".

He said most of the decline in profits stemmed from the difficult conditions faced by the Shaw Carpets subsidiary which had suffered "quite significant" trading losses.

In his comments Sir Desmond said there had been "no improvement in trading conditions," noting that the recession had continued "bringing with it an increasing lack of



Sir Desmond: strong warning for Shaw Carpets

confidence on the part of the consumer, particularly in the UK domestic market."

As a result turnover dropped by 6 per cent to £52.6m (£56.1m) and trading profits fell by 42 per cent to £2.22m (£3.86m).

Sir Desmond said "the absence of any buoyancy in consumer spending impacted very harshly on our carpet manufacturing activities."

Turnover in that division dropped to £21.7m (£25m) and margins, particularly in the extremely competitive middle

market range, were "very badly affected." Overall the division made a modest £81,000 (£151m) trading profit.

The impact of the recession was felt most severely at Shaw Carpets, while Northern Ireland Carpets managed to return a reasonable profit in difficult circumstances.

Sir Desmond warned that the continuance of trading losses at Shaw "will not be tolerated by management who are vigorously looking at ways of dealing with these current trading difficulties."

## LTU confirms talks with Owners Abroad

By Michael Skapinker, Leisure Industries Correspondent

LTU, the German travel group, confirmed that it had talks with Owners Abroad, the UK's second largest tour operator, but said it had spoken to other companies as well.

The statement by LTU follows days of speculation that a bid for Owners Abroad was imminent. Earlier this week,

Owners Abroad said it received a tentative approach from a potential purchaser but that no bid had been made. The approach is thought to have been made by Airtours, the third largest UK operator.

LTU said yesterday: "We're just checking out the European market. If you're thinking about 1993, you have to talk to companies all over the place. We've spoken to Owners Abroad as we've spoken to

many, many companies and not only in England."

Asked whether LTU might offer its services as a white knight if Airtours was to bid for Owners Abroad, the German company said: "We don't think there's anything to that." Owners Abroad refused to comment on its attitude to a possible bid from LTU. Its shares closed up 3 1/4p at 73p.

LTU bought Thomas Cook, the travel agency, earlier this

year. A move to buy a full or partial stake in a tour operator would be consistent with the current consolidation taking place in the travel market.

Airtours last month purchased the Pickfords Travel agency chain from NFC, the transport group, for £16m. Mr David Crossland, chairman of Airtours, said owning a travel agency chain would improve sales of the tour operator's holidays.

## BIL's Gibbs Mew bid lapses after purchase

By Peter Pearce

Brierley Investments' £11m hostile bid for Gibbs Mew, which hinged on the target's acquisition of a wholesale drinks distributor not being approved, lapsed last night as Gibbs shareholders gave their blessing to the UK D purchase.

In the Salisbury-based brewing and commercial property group's extraordinary meeting the resolution to approve the acquisition was passed. Irrevocable undertakings for 51.9 per cent of Gibbs Mew's equity had been received by September 23. Gibbs Mew is 59 per cent family-owned.

UK D is to be bought for an initial £2.35m in loan notes and shares with a further profit-related consideration of £540,000 in shares.

In July when BIL, which holds stakes in Budgens, the supermarket chain, Alvis, the defence contractor, and Mount Charlotte, the hotels group, mooted launching a bid for the 80.3 per cent of Gibbs Mew that it did not already own, it made several pre-conditions. They included Gibbs Mew's activities continuing as normal, making no disposals or acquisitions and not issuing or allotting any shares.

## Blystad directors fight takeover

By Richard Gourlay

INDEPENDENT directors at Blystad Group are continuing their rear-guard action to thwart Mr Alistair Locke's takeover of the oil service group that has paid no dividend for seven years.

The directors yesterday recommended that minority holders reject the offer from Mr Locke's private company, Abbot Holdings, which declared its £7.5m bid for Blystad unconditional this week.

In a letter to shareholders they said Mr Locke's unquoted redeemable preference shares

in place of the quoted Blystad shares were a "totally inadequate substitute."

Mr Locke will gain management control after three of the Norwegian Blystad family directors, who control 62 per cent of the shares, accepted the offer.

Blystad shareholders were being asked to give up shares in a company with real assets for shares in an unquoted company with no assets, the letter said.

Furthermore, any payment on Abbot's preference shares would have to be funded from Blystad's own resources. "As

an existing shareholder in Blystad you already own those assets and any profits they generate," the letter said.

The rear-guard action threatens to prevent Mr Locke from being able to take Blystad private to sort out a group that has one of the rockier histories in the offshore oil industry.

A high level of rejection of the offer will leave Mr Locke with an expensive public quote to maintain and a potentially obstructive minority shareholder base who have probably already written off the value of their shares. Blystad shares closed yesterday at 1 1/4p.

## Irish government to sell ACCBank

By Tim Coone in Dublin

THE IRISH government has put up for sale ACCBank, a banking network of 45 branches with deposits of £355m, a loan book of £483m and total assets worth £741m.

The price tag was thought to be in the region of £60m, or 52.7m. The finance ministry said "all interested parties will be given an opportunity to bid".

It had also reiterated its intention to sell another state bank known as ICCBank,

which had been on the market for two years. "A decision to sell the bank will depend on the sale terms being acceptable to the government," the ministry said.

ACCBank recently reported pre-tax profits of £3.6m for the first half of 1992, and had strengthened considerably since its restructuring in 1987, when it suffered substantial losses. The bank was originally established by the state in the 1920s to provide loans exclusively to the agricultural sector, but now trades as an ordi-

nary high street bank. ICC Bank is an industrial credit institution and was thought to have a price tag in the region of £40m.

The branch network and loan book of ACCBank will be a valuable addition to a number of Irish financial institutions looking to extend their banking operations in the republic. The most interested contenders were thought to be Woodchester/Credit Lyonnais, Ulster Bank, Irish Permanent Building Society, and the National Irish Bank.

## Institutions support Andrews Sykes

By Paul Taylor

TWO INSTITUTIONAL shareholders in Andrews Sykes, the industrial services and environmental products group, said yesterday that they would vote against a bid by a dissident minority shareholder to gain control of the board.

Royal Insurance Asset Management (Riam), which holds an 8.19 per cent stake in Andrews Sykes, and Postel Investment Management, which has a 4.71 per cent stake, both said they would oppose moves by Mr Jacques Murray to take

control of the board at an extraordinary meeting called for next Friday.

Mr Murray holds a 26.6 per cent stake in Andrews Sykes through two investment vehicles, European Fire Protection Holding and Midland Bank Overseas Nominees. He has set down resolutions calling for the removal of Mr David Hubbard, the chairman, and Mr David Crowe, a non-executive director, from the five-man board and their replacement by himself and three of his associates.

Both Riam and Postel said

they strongly supported the existing board and objected to the attempt by Mr Murray "to gain control without making a formal offer for the company."

The statements coincided with a second letter to shareholders from Andrews Sykes' management urging them to vote against Mr Murray's "unnecessary and unwarranted" proposals.

Mr André Chudnoff, one of Mr Murray's associates, rejected the criticisms and said the board had failed to address the main issue of its own financial performance.

## Hospital Corporation £2.1m in the red

By Peter Pearce

HOSPITAL Corporation International Group, which was created in January when HCl of the US reversed into Bioplan Holdings, the UK healthcare group, incurred pre-tax losses of £2.1m in the six months to June 30.

In the nine months to December 31 losses totalled £2.4m, after exceptional charges of £16.8m - a result of the new management's adoption of a more conservative approach to Bioplan's account-

ing policies. In the period under review turnover was £13.3m and operating profits for continuing businesses £327,000.

However, there were exceptional costs of £941,000 relating to losses from the West Peaks hospital in Macclesfield, now sold for £2.4m to the National Health Service, and interest charges of £1.78m.

Mr James Mills-Webb, finance director and chief executive of the UK operations, said that borrowings - below £17m, with £5m of lease obliga-

tions - were about the same as the end-December figure.

In the half year to September 30 1991 - not comparable, said Mr Mills-Webb, because the figures, albeit restated, were only for Bioplan's UK operations - turnover was £7.49m, operating losses were £5.55m after exceptional costs of £4.61m, and pre-tax losses were £5.14m.

The company currently has nine hospitals in the UK, one in Panama and one American Medical Centre in Moscow.

with AMCs in Beijing and St Petersburg opening by the year-end.

Mr Mills-Webb said that occupancy levels in the UK stood at 45-50 per cent, but that it was not like the hotel business; the number of patients treated was what made profits.

Some 75 per cent of the company's assets and 92m of its £13.3m turnover was in the UK, he said.

Losses per share emerged at 2.83p (16.7p) and again there is no dividend.

EQUITIES									
Issue	Price	Amount	Latest	1992	Stock	Closing	40p	10p	100p
Price	£	£	£	£		£			
1000	1.00	1.00	1.00	1.00	1000	1.00	1.00	1.00	1.00

FIXED INTEREST STOCKS									
Issue	Price	Amount	Latest	1992	Stock	Closing	40p	10p	100p
Price	£	£	£	£		£			
1000	1.00	1.00	1.00	1.00	1000	1.00	1.00	1.00	1.00

RIGHTS OFFERS									
Issue	Price	Amount	Latest	1992	Stock	Closing	40p	10p	100p
Price	£	£	£	£		£			
1000	1.00	1.00	1.00	1.00	1000	1.00	1.00	1.00	1.00

TRADITIONAL OPTIONS									
Issue	Price	Amount	Latest	1992	Stock	Closing	40p	10p	100p
Price	£	£	£	£		£			
1000	1.00	1.00	1.00	1.00	1000	1.00	1.00	1.00	1.00

● First Dealings Sept. 28  
● Last Dealings Oct. 9  
● Last Dealings Dec. 30  
● For settlement Jan. 11  
3-month call rate indications are shown on page 11.

## A Cohen again cuts dividend

AS AN END to the recession

not apparent and further cost reductions were unlikely to make any impact until next year, A Cohen is again reducing its dividend in "the interests of financial prudence".

Following the cut of 13.1p in last year's final, the current interim payment is being reduced from 6.6p to 3.4p, costing £55,000 (£107,000).

For the first half of 1992 this maker of non-ferrous metal ingots saw its pre-tax profit fall from £555,000 to £496,000, on turnover down from £41.2m to £38.1m. Earnings per share were 1.18p (8.9p).

The company said that although there were modest

improvements in some sections they were offset by worsening conditions in others.

Fleming European net asset value down

The net asset value of Fleming European Fledgling Investment Trust stood at 69.3p at September 30 against 74.2p a year earlier. Net revenue for the six months to that date improved from £201,000 to £264,000 for earnings per share of 0.66p (0.5p).

The trust invests in continental European smaller companies which it believes have "excellent potential for capital appreciation".

Aberdeen Steak cuts losses

Aberdeen Steak Houses, the restaurant chain, made a sig-

nificant reduction to its first half losses and forecasts a return to profitability in the second half.

From turnover of £5.78m in the six months ended June 30, against £5.72m, the loss before tax came to £408,000 (£829,000). Losses per share were unchanged at 3p.

Ongoing branches produced turnover of £5.57m (£5.15m) and trading losses of £242,000 (£418,000). The pre-tax deficit took account of utilising £220,000 (£428,000) of previous provisions against discontinuing branches.

Beta GEM raising £13.5m to expand

As there are currently favourable opportunities for investment in emerging markets, Beta Global Emerging Markets Investment Trust is seeking to raise £13.5m net through a placing and open offer.

Some £10.5m will come from a placing of 10.8m C shares at 100p, and an additional £2.97m from an offer of 3m C shares to existing share and warrant holders.

Net proceeds and the investment made with them will initially be accounted for as a separate pool of assets. The net asset value of existing ordinary shares will be unaffected by the introduction of C shares.

The C shares will convert into ordinary, with new war-

rants being allotted on the basis of 1-for-5, either when at least 80 per cent of the assets attributable to the C shares have been invested, or on May 28 next if earlier.

Near £1m turnaround at Trace Computers

Trace Computers, which provides consultancy services, continued in profit for the second half to produce an overall £502,000 pre-tax for the year ended May 31 1992, compared with a loss of £471,000.

Although some of the operating centres were standing up well to the recession, others continued to be affected, said Mr Robert Carefull, the chairman.

Turnover dipped to £19.3m (£19.7m) but actions to reduce costs and focus more on software activities led to an improvement of £1m in operating profit.

Good performances came from core businesses of insurance broking, property, distribution, and stockbroking services, and bespoke software.

The chairman said Prospekt, the recruitment and consultancy company, suffered from low demand and also incurred a significant loss on debt due to the failure of a large customer. It should return to profitability this year.

Earnings per share came to 2.94p (losses 1.98p). The final

dividend is again 0.9p for a maintained 1.45p total.

IFG sharply lower with £486,000

Pre-tax profits of IFG Group fell from £930,000 to £486,000, or £508,000 at current exchange rates, for the half year ended June 30 1992.

The core financial businesses in life, pensions, investment and mortgage brokerage performed well for this Dublin-based group.

Market conditions in the UK and Ireland had an adverse effect on the results of the investment in the engineering sector, Mr Joe Moran, the chairman, said. Those conditions also affected IFG International's corporate and trustee business.

Earnings per share dropped from 2.25p to 1.03p.

Fleming Income value 64.03p

At September 30, the end of its initial nine months trading period, Fleming Income & Capital Investment Trust had a net asset value per share of 64.03p.

In the period gross revenue totalled £4.47m, and the net available profits came to £3.13m for earnings per share of 3.4p.

Dividends paid and payable absorbed £1.84m.

Prices for securities quoted for the purposes of the Electricity Act 1989 in England and Wales									
100	1000	10000	100000	1000000	10000000	100000000	1000000000	10000000000	100000000000
1000	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Prices are quoted for securities in each currency unit. Prices are in each currency unit. Prices are in each currency unit. Prices are in each currency unit. Prices are in each currency unit. Prices are in each currency unit. Prices are in each currency unit. Prices are in each currency unit. Prices are in each currency unit. Prices are in each currency unit.

For the period from October 3, 1992 to January 3, 1993 the Notes will carry an interest rate of 8 1/4% per annum with an interest amount of £2,500.00 per £1,000.00 Note.

The relevant interest payment date will be January 3, 1993.

Agent Bank: Banque Paribas Luxembourg Société Anonyme



# ECONOMIC DIARY

**MONDAY:** EC Research ministers meet at Luxembourg. Provisional agenda includes European Commission proposal to boost EC research funding. Douglas Hurd, Foreign Secretary, at select committee on EC summit. International symposium on environmental contamination in central and eastern Europe in Budapest. Lucas Industries final results. Financial Times two-day conference on "World Mobile Communications" in London.

**TUESDAY:** European Commission President Jacques Delors meets Sanjiv Mehta, President of the Indian Chamber of Commerce and Industry, in London. European Commission President Jacques Delors meets Sanjiv Mehta, President of the Indian Chamber of Commerce and Industry, in London. European Commission President Jacques Delors meets Sanjiv Mehta, President of the Indian Chamber of Commerce and Industry, in London.

**WEDNESDAY:** European Parliament recalled before EC summit. UK industrial production (August). US retail sales (September). US producer prices (September). Financial Times three-day conference on "Strategic Renaissance: The Transformation of Economic Enterprise" in London.

**THURSDAY:** UK unemployment figures (September) and average earnings (August). US consumer prices (September). Lloyds Chemists final results.

**FRIDAY:** European Community leaders emergency summit at Birmingham to discuss the future course of co-operation between member nations after the upheaval in EC's exchange rate mechanism. EC Foreign Affairs Minister Frans Andriessen on official visit to Canada (till Sunday). UK PSBR (September). US industrial production figures (September). Financial Times one-day conference on "Public and Private Sector Pay" in London.

## FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS		Friday October 9 1992					The Oct 8		Wed Oct 7		Tue Oct 6		Year ago (approx)		Highs and Lows Index				
Figures in parentheses show number of stocks per section		Index No.	Day's Change (%)	Est. Yield (Yld.) (Mkt.)	Est. Yield (Yld.) (Act.) (25%)	Est. P/E Ratio	Ind. adj. to date	Index No.	Index No.	Index No.	Index No.	1992	1992	1992	1992	Since Completion	Low		
1	CAPITAL GOODS (174)	743.36	....	7.81	5.88	16.61	27.44	743.62	741.46	729.26	822.43	929.04	20.5	644.23	9.9	1038.07	16.7	50.71	13/12/74
2	Building Materials (23)	666.78	-0.2	7.81	5.88	18.83	32.23	667.04	657.79	664.17	695.74	1121.52	11.5	617.85	9.9	1381.08	16.7	71.82	1/12/74
3	Contracting, Construction (26)	590.41	-1.7	3.58	8.43	181.81	32.23	590.40	603.55	594.84	1082.96	1069.64	11.5	485.72	9.9	1951.50	16.7	71.82	1/12/74
4	Electronics (19)	2054.83	+0.6	8.14	7.32	16.25	85.80	2042.75	2034.86	2007.88	2568.32	2758.50	22.5	1899.78	16.9	3040.80	8.9	84.7	25/6/82
5	Electronics (27)	2095.14	+0.7	7.78	4.07	16.16	47.93	2080.91	2067.95	2062.36	2171.95	2095.14	9.10	1655.93	13.1	2308.22	10.99	122/01.1	8/10/85
6	Engineering-Aerospace (6)	281.04	-0.2	12.83	8.30	9.89	13.53	280.49	276.99	272.12	357.82	466.10	20.5	273.62	28.9	502.42	13/6	20.9	2/8/82
7	Engineering-General (43)	449.80	-0.1	8.99	5.23	14.20	15.00	450.14	448.10	441.09	488.33	567.42	20.5	409.31	9.9	567.42	20.5	339.57	23/1/81
8	Metals and Metal Forming (7)	311.71	-0.3	5.57	7.02	26.08	7.52	307.63	304.58	304.41	434.32	379.31	18.5	255.51	8.9	596.67	9.10	40.65	6/1/81
9	Motors (14)	288.55	-0.2	9.18	8.18	14.33	14.79	289.23	291.01	295.33	340.07	403.06	21.5	274.42	1.9	411.42	11.5	19.91	1/1/81
10	Other Industrials (19)	1731.18	+0.5	7.24	4.82	16.68	59.29	1723.40	1720.29	1684.25	1999.89	1906.65	11.5	1480.17	9.9	1906.65	11.5	277.55	15/1/81
21	CONSUMER GROUP (19)	1587.31	-0.1	7.26	3.63	17.06	34.19	1586.91	1571.74	1553.81	1531.49	1761.38	11.5	1446.17	25.9	1761.38	11.5	61.81	13/12/74
22	Breweries and Distilleries (25)	1912.11	-0.2	8.72	3.85	13.83	41.43	1908.54	1888.52	1881.50	1953.81	2276.35	11.5	1812.14	5.0	2276.35	11.5	64.7	13/12/74
23	Food Manufacturing (19)	1195.70	-0.5	8.96	4.42	13.80	28.04	1201.79	1201.49	1197.82	1386.52	1377.65	11.5	1064.95	10.9	1327.80	11.5	51.17	12/74
24	Food Retailing (16)	2763.35	+1.3	9.03	3.35	14.37	53.95	2728.78	2677.47	2651.50	2438.02	2996.16	18.5	2533.80	10.1	2996.16	18.5	54.17	12/74
25	Health and Household (26)	4152.75	-0.1	5.31	2.66	21.86	70.35	4156.91	4088.55	4037.45	4662.08	4654.94	14.1	3648.63	26.8	4654.94	14.1	175	28/8/80
26	Health and Leisure (18)	1054.37	-0.4	7.86	4.47	17.65	45.99	1059.12	1058.07	1037.36	1317.80	1450.36	13.5	888.80	16.9	1317.80	13.5	54.83	9/1/85
30	Media (26)	1590.62	-0.4	6.20	3.30	20.10	35.10	1597.36	1590.32	1583.52	1622.21	1721.09	11.5	1376.55	25.8	1721.09	11.5	116.61	16/7/81
31	Packaging, Paper & Printing (17)	710.32	-1.0	7.14	4.56	17.43	22.00	717.35	721.26	714.76	758.06	875.53	13.5	633.17	16.9	875.53	13.5	43.46	6/1/81
34	Stores (33)	1013.71	-0.4	7.03	3.58	18.94	19.14	1009.60	1004.82	995.33	1086.26	1135.66	11.5	907.08	25.8	1135.66	11.5	58.63	6/1/85
35	Textiles (9)	664.93	-0.8	7.14	4.62	17.63	16.65	670.34	668.50	665.72	624.71	756.70	8.5	551.94	25.8	756.70	8.5	62.66	11/2/74
40	OTHER GROUPS (117)	1272.50	+0.4	9.80	5.32	12.77	40.44	1267.72	1258.93	1248.84	1382.44	1399.32	11.5	1140.56	3.4	1399.32	11.5	58.63	6/1/85
41	Business Services (18)	1328.07	-0.2	6.66	3.83	12.99	25.66	1321.45	1320.19	1285.20	1404.72	1511.16	11.5	1168.34	1.9	1511.16	11.5	892.28	1/2/81
42	Chemicals (22)	1328.72	-0.4	7.38	5.46	16.82	48.39	1323.23	1318.50	1318.74	1445.65	1629.99	8.5	1243.85	1.9	1629.99	8.5	71.20	1/2/74
43	Conglomerates (10)	1256.30	-0.3	9.18	7.86	13.95	40.12	1259.95	1239.83	1211.71	1247.15	1509.94	11.5	1087.92	9.9	1509.94	11.5	107.95	10/1/87
44	Transport (14)	2459.47	+0.6	8.17	4.81	15.05	76.54	2449.33	2442.61	2370.44	2531.78	2790.11	20.5	2133.26	26.8	2790.11	20.5	80.20	8/94
45	Electricity (16)	1411.65	+0.6	14.71	5.20	8.76	55.01	1402.36	1390.43	1402.98	1494.00	1427.11	30.9	1044.63	7.4	1427.11	30.9	99.96	7/1/81
46	Telephone Networks (1)	1445.10	+0.9	10.46	4.57	12.46	46.15	1431.56	1423.11	1409.27	1591.35	1605.86	22.5	1274.20	3.4	1605.86	22.5	10.04	20/8/80
47	Water (11)	2885.98	+0.5	15.50	6.00	7.14	86.85	2871.51	2845.02	2844.78	2880.73	2971.26	30.9	2170.95	8.4	2971.26	30.9	1830.20	1/5/80
48	Miscellaneous (22)	2139.54	-0.8	6.17	4.71	20.35	25.37	2137.07	2124.49	2114.90	2250.71	2333.69	24.9	1770.94	3.4	2333.69	24.9	60.39	6/1/85
49	INDUSTRIAL GROUP (482)	1275.17	-0.1	8.19	4.57	15.30	35.07	1273.50	1263.86	1249.75	1278.55	1427.97	11.5	1168.49	1.9	1427.97	11.5	59.01	13/2/82
51	Oil & Gas (18)	2013.36	-0.3	6.70	6.44	19.56	85.40	2019.42	2009.44	2006.75	2299.38	2226.66	2.1	1756.72	7.8	2299.38	7.8	87.23	29/5/82
52	SHARE INDEX (580)	1344.25	-0.1	8.04	4.76	15.65	39.07	1343.09	1333.26	1319.78	1374.87	1493.99	11.5	1228.86	26.8	1493.99	11.5	63.49	13/12/74
61	FINANCIAL GROUP (83)	749.74	+0.3	5.89	30.11	747.37	741.43	731.32	792.55	802.65	20.5	631.13	25.8	96.67	13/10/87	59.88	13/12/74		
62	Banks (9)	1019.72	+0.3	5.08	5.46	29.34	40.52	1016.53	1004.29	991.41	1035.71	1053.33	25.9	780.95	3.4	1053.33	25.9	62.86	12/12/74
63	Insurance (Life) (6)	1542.32	+0.4	5.71	18.85	524.93	526.42	519.20	601.20	564.54	13.5	418.46	27.7	768.11	29.0	1031.35	27.7	44.28	1/1/81
64	Insurance (Composital) (7)	526.31	+0.3	9.98	7.84	13.16	42.23	526.66	526.42	526.42	1031.35	1031.35	27.1	527.43	25.8	1031.35	27.1	43.96	13/12/74
65	Insurance (Brokers) (10)	717.02	+2.6	9.98	7.84	13.16	42.23	717.02	717.02	717.02	1031.35	1031.35	27.1	527.43	25.8	1031.35	27.1	65.86	16/1/81
66	Merchant Banks (3)	466.94	+0.6	4.81	12.71	22.76	51.38	465.27	465.02	465.02	472.98	521.89	22.5	395.41	28.6	547.99	12/10/87	31.21	7/1/85
67	Investment Services (1)	241.77	-0.1	8.26	10.45	12.71	9.35	241.77	239.93	239.93	271.79	271.79	26.5	215.81	2.7	271.79	26.5	60.04	20/8/80
70	Other Financial (4)	241.77	-0.1	8.26	6.90	15.89	9.35	241.77	239.93	239.93	271.79	271.79	26.5	215.81	2.7	271.79	26.5	33.29	12/12/74
71	Investment Trusts (70)	1145.62	-0.3	3.91	27.18	1142.42	1133.30	1122.62	1228.56	1273.08	11.5	1024.12	25.8	1323.81	4.1	1273.08	11.5	71.12	13/12/74
99	ALL-SHARE INDEX (653)	1201.00	-0.1	4.89	36.41	1199.54	1190.67	1178.02	1234.66	1326.36	11.5	1086.13	25.8	1326.36	11.5	1234.66	11.5	61.92	13/12/74
FT-SE 100 SHARE INDEX		2541.21	+2.4	1566.81	2541.01	2538.81	2517.1	2488.4	2446.3	2549.7	2555.0	2737.8	11.5	2281.0	25.8	2737.8	11.5	96.9	23/7/84

## FIXED INTEREST

PRICE INDICES		Fri Oct 9	Day's change %	Thu Oct 8	Accrued Interest	Ind. adj. to date	1992	British Government	1992	High	Low	
1		Up to 5 years (22)	124.80	+0.17	125.46	1.65	10.19	1 Low 5 years	7.91	7.93	8.70	7.90 28/9
2		5-15 years (25)	139.45	+0.36	138.95	2.21	10.99	2 Coupons 15 years	8.77	8.83	9.48	8.63 14/9
3		15-25 years (18)	144.96	+0.78	143.83	1.80	9.59	3 (8%-7.5%) 20 years	9.00	9.09	9.48	8.72 1.4
4		Irredeemables (6)	164.21	+1.26	161.74	3.84	8.83	4 Medium 5 years	6.48	6.52	7.77	8.48 9.10
5		All (26)	136.70	+0.37	136.51	2.01	10.57	5 Coupons 15 years	9.24	9.31	9.61	8.84 1.16
6		Index-Linked						6 (8%-10.4%) 20 years	9.36	9.45	9.56	8.76 1.4
7		Up to 5 years (12)	176.38	+0.02	176.35	0.56	3.25	7 High 5 years	8.77	8.79	9.96	9.00 9.10
8		Up to 5 years (10)	158.36	+0.04	158.29	0.97	3.64	8 Coupons 15 years	9.53	9.61	9.69	8.77 9.10
9		All (25)	159.64	+0.04	159.58	0.91	3.56	9 (11%-4%) 20 years	9.57	9.67	9.69	8.90 22.5
10		Debt & Loans (62)	116.74	+0.62	116.03	2.02	9.58	10 Irredeemables	9.41	9.62	9.70	8.55 14/9
11		Index-Linked						11 Index-Linked				
12		Inflation rate 5%						12 Inflation rate 5%	3.57	3.57	3.79	5.06 16/9
13		Inflation rate 10%						13 Inflation rate 10%	4.11	4.11	4.21	4.76 16/9
14		Inflation rate 10%						14 Inflation rate 10%	2.72	2.83	3.12	4.23 16/9
15		Inflation rate 10%						15 Inflation rate 10%	3.91	3.94	4.02	4.56 16/9
16		Debt & Loans						16 Debt & Loans	9.91	10.10	11.28	11.51 6.4
17		Loans						17 Loans	10.58	10.68	11.12	11.22 6.4
18									10.67	10.73	10.96	11.02 6.4

Opening Index 9: am 10; am 11; am Noon; 1 pm; 2 pm; 2.30 pm; 3 pm; 4.10 pm; 4.30 pm; 5 pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/87	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/87	114.13
Media	31/12/89	1222.68	Other Industrials	31/12/80	267.41	Insurance Brokers	29/12/87	56.87
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/80	261.77	All Other	10/12/82	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Debt & Loans	30/12/82	100.00
Construction	31/12/87	1114.07	Other Financial	31/12/77	228.06	Debt & Loans	31/12/77	100.00

FT-SE 100: A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London, SE1 9HL. Tel: 071-873 4613. CONSTITUENT CHANGES: ADDITION: Cable Securities (41); DELETION: Silvio (34)

## LIFFE EQUITY OPTIONS

Option	CALLS				PUTS				Option	CALLS				PUTS											
	Oct	Jan	Apr	Jul	Oct	Jan	Apr	Jul		Oct	Jan	Apr	Jul	Oct	Jan	Apr	Jul								
AAA ('72b)	700	39	57	73	17	30	56		Coronet ('55a)	360	35	48	60	79	38										
	800	4	16	30	45	93	97		GSA ('77b)	700	22	35	48	60	79	38									
BAT ('84b)	850	30	46	60	90	11	21	36			360	35	48	60	79	38									
	850	30	46	60	90	11	21	36			800	37	50	63	76	88	102								
BIR ('82b)	500	21	36	51	14	26	48	22		Hilltop ('95)	90	15	21	23	10	12									
	500	21	36	51	14	26	48	22			100	10	16	19	16	19									
Bry. ('95b)	300	24	37	43	24	9	12	25		Lucas ('90)	80	6	12	15	6	8									
	300	24	37	43	24	9	12	25			70	4	7	10	13	11									
Cashier ('93b)	450	20	44	48	76	15	15	23		NESC ('81b)	390	45	58	63	11	20									
	450	20	44	48	76	15	15	23			320	27	41	46	24	34									
Eastern ('34b)	350	29	38	46	6	14	17		National ('86a)	260	21	27	33	19	15										
	370	16	26	34	14	22	25			260	21	27	33	19	15										
Edwards ('92b)	500	27	54	62	12	18	24		Reuter ('28a)	1250	67	126	146	92	81										
	500	27	54	62	12	18	24			1300	66	123	146	75	105										
GEN ('25b)	240	22	27	33	7	7	9		R. Royle ('12b)	120	14	18	19	4	8										
	240	22	27	33	7	7	9			130	16	18	19	4	8										
Hansen ('23b)	200	18	21	24	2	6	9		Scotline ('90a)	190	9	12	15	7	10										
	200	18	21	24	2	6	9			200	8	9	12	15	16										
ILCO ('14b)	160	16	26	30	24	31	37		Seal ('83)	90	5	8	12	14	5										
	160	16	26	30	24	31	37		Fort ('51a)	140	26	38	50	17	22										
Lucas ('90)	90	5	12	11	22	22	25		Tru ('75a)	140	26	38	50	17	22										
	100	5	8	11	20	22	25		Town ('81)	750	54	60	64	36	41										
P. & O ('92b)	390	26	45	52	22	43	48			800	40	47	51	27	31										
	390	26	45	52	22	43	48		USC ('78b)	130	10	14	16	7	12										
Pratt ('77)	70	15	18	21	6	8	11			140	5	9	12	14	8										
	80	14	17	19	6	8	11		Vail ('93b)	30	4	5	6	3	4										
Prudential ('58b)	260	18	26	30	13	15	16		Wall ('92a)	1000	45	75	96	70	87										
	260	18	26	30	13	15	16																		
R.T.Z. ('58b)	550	50	71	75	66	37	36		EUREX FT-SE INDEX ('254d)																
	600	19	31	43	28	36	51		2305 2375 2425 2475 2525 2575 2625 2675																
Soc. & H ('82b)	450	21	41	43	22	30	35		CALLS																
	450	21	41	43	22	30	35		Oct	228	173	181	86	52	27	12									
Teco ('92b)	200	16	25	24	14	15	20		Nov	280	263	162	127	97	72	48									
	200	16	25	24	14	15	20		Dec	285	272	112	124	88	58	34									
T. James ('92b)	420	27	36	48	8	13	16		Jan	310	273	123	168	115	82										
	420	27	36	48	8	13	16		Mar	310	273	123	168	115	82										
Water ('92b)	300	26	35	41	11	20	25		Jun	310	273	123	168	115	82										
	300	26	35	41	11	20	25		Sept	375	305	240	180	135	100										
Widener ('29b)	330	26	35	41	11	20	25		PUTS																
	330	26	35	41	11	20	25		Oct	31	5	8	14	31	55	91	11								
	330	26	35	41	11	20	25		Nov	31	5	8	14	31	55	91	11								
	330	26	35	41	11	20	25		Dec	31	5	8	14	31	55	91	11								
	330	26	35	41	11	20	25		Jan	37	6	9	16	37	60	120	13								
	330	26	35	41	11	20	25		Mar	37	6	9	16	37	60	120	13								
	330	26	35	41	11	20	25		Jun	60	88	110	140	125	98										
	330	26	35	41	11	20	25		Sept	60	88	110	140	125	98										
Option																		FT-SE INDEX ('254d)							
Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul																		2308 2324 2340 2356 2412 2428 2444 2460 2476							
Aling ('58b)	300	23	30	33	9	15	18		Oct	253	204	155	108	69	36	17									
	330	9	16	19	25	32	35		Nov	273	204	155	108	69	36	17									
	300	3	7	11	2	5	3		Dec	273	204	155	108	69	36	17									
	300	3	7	11	2	5	3		Jan	312	260	220	191	160	125	98									
	300	3	7	11	2	5	3		Mar	312	260	220	191	160	125	98									
	300	3	7	11	2	5	3		Jun	312	260	220	191	160	125	98									
	300	3	7	11	2	5	3		Sept	312	260	220	191	160	125	98									
	300	3	7	11	2	5	3		CALLS																
	300	3	7	11	2	5	3		Oct	253	204	155	108	69	36	17									
	300	3	7	11	2	5	3		Nov	273	204	155	108	69	36	17									
	300	3	7	11	2	5	3		Dec	273	204	155	108	69	36	17									
	300	3	7	11	2	5	3		Jan	312	260	220	191	160	125	98									
	300	3	7	11	2	5	3		Mar	312	260	220	191	160	125	98									
	300	3	7	11	2	5	3		Jun	312	260	220	191	160	125	98									
	300	3	7	11	2	5	3		Sept	312	260	220	191	160	125	98									
	300	3	7	11	2	5	3		PUTS																
	300	3	7	11	2	5	3		Oct	15	5	5	10	22	42	78	105	11							
	300	3	7	11	2	5	3		Nov	15	5	5	10	22	42	78	105	11							
	300	3	7	11	2	5	3		Dec	15	5	5	10	22	42	78	105	11							
	300	3	7	11	2	5	3		Jan	30	35	46	60	75	97	122	12								
	300	3	7	11	2	5	3		Mar	30	35	46	60	75	97	122	12								
	300	3	7	11	2	5	3		Jun	50	70	70	105	120	140	140	14								
	300	3	7	11	2	5	3		October 9 Total Calls: 26,505																
	300	3	7	11	2	5	3		October 9 Total Puts: 12,726																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
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	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
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	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
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	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3	7	11	2	5	3		October 9 Total Calls & Puts: 39,231																
	300	3																							



## INTERNATIONAL COMPANIES AND FINANCE

## Ford warns of quarterly deficit

By Martin Dickson  
in New York

SHARES in Ford Motor, the US automobile group, fell sharply yesterday morning following a warning from the company of third-quarter losses which might extend into the final three months of the year.

The profits warning came after the market closed on Thursday in a filing with the Securities and Exchange Commission for a \$1bn offer of perpetual preferred stock.

Ford shares stood at \$34.75, down 2.25, at lunchtime in trading on the New York Stock Exchange.

Ford said industry sales rates in the US, Europe and other markets remained low compared with long-term trends and these factors, coupled with seasonal dealer inventory adjustments, were expected to result in a third-quarter loss.

Analysts had already been forecasting a loss for the period of around \$150m.

Ford added that its losses could extend into the fourth quarter, partially offsetting the \$940m the company earned in the first half of the year.

FORD, the US car maker, yesterday appointed Mr Jacques Nasser as the next chairman of its loss-making Ford of Europe operations, write Kevin Done in London and Kevin Brown in Sydney.

Mr Nasser, a 44-year-old Lebanese Australian and previously chief executive of Ford of Australia, is to replace Mr Lindsey Halstead, 62, who is to retire after a 40-year career with Ford. Mr Halstead has been chairman of Ford of Europe since 1989.

Mr Nasser becomes chairman-elect of Ford of Europe with immediate effect and will take over from Mr Halstead on January 1. He is to be succeeded in Australia by Mr John Ogden, currently director of car programmes for Ford's North American automotive operations.

Mr Nasser faces a formidable challenge to lead the restructuring of Ford of Europe, which suffered record losses last year and which is forecast to make another loss in 1992.

Ford, which was narrowly the leader of the west European new car market in 1991, has slipped to fifth place among the big six volume car makers in Europe.

Mr Nasser's appointment confirms his reputation as one of the company's rising stars, and he will take over a European organisation, which last year had a workforce of just under 100,000 and produced 1.8m vehicles.

However, Ford said it still expected 1992 full-year results to represent a substantial improvement over its \$2.26bn losses in 1991 and it expected continued improvement in 1993 earnings, "assuming that US and European economic conditions and industry volumes improve".

The company said the issue of preferred stock, which will not be convertible into Ford

of car programmes for Ford's North American automotive operations.

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He started his career as a financial analyst for Ford in Melbourne in 1968, but has moved rapidly up the international management ladder since beginning a 14-year stint overseas in 1975.

He returned to Ford Australia as chief executive in 1989 from Antiochia, Ford's joint venture with Volkswagen in Brazil and Argentina, which he helped set up and where he became the first finance director in 1987.

Always an outspoken manager, he has taken tough action to prepare Ford Australia for stiffer competition, prompted by a rise in vehicle imports from 30 per cent of the market three years ago to 50 per cent this year.

On Tuesday at the Paris Auto Show, Mr Allan Gilmore, Ford Automotive Group president, underlined the company's commitment to maintaining its product and technology investment programme despite market weakness.

In the filing, Ford said it expected its second-half 1992 capital expenditures to exceed the \$2.5bn in the first half of 1992.

## Lufthansa seeks a stake in Luxair

By Christopher Parkes in Frankfurt and Andrew Hill in Brussels

LUFTHANSA, the loss-making German airline, is pressing ahead with talks which may lead to its taking a stake in Luxair, the Luxembourg carrier.

The companies confirmed yesterday that negotiations were in progress with the aim of either intensifying existing co-operation or Lufthansa's buying part of its tiny neighbour. Luxair said in statement that the aim was to sign "a detailed accord, before the end of the year", although Lufthansa refused to commit itself to a particular timescale for the deal.

A maximum of 38.3 per cent of the Luxembourg airline is for sale. Luxair's own shareholding of 36.2 per cent has to be reduced to 10 per cent by next year to conform with new legislation and Compagnie Luxembourgeoise de Télédiffusion, the Luxembourg-based broadcasting group, wants to sell a further 12.1 per cent.

Luxair said it had issued its statement to dispel rumours in the Luxembourg press that the talks - which began about six months ago - had been abandoned because of Lufthansa's financial difficulties. Luxair itself announced a profit of LFr122m (\$4m) for 1991.

Although it is racked by losses and preoccupied with a massive internal restructuring programme, Lufthansa continues to press ahead with plans to build its international presence through co-operation and acquisition rather than organic growth.

Lufthansa, government-controlled but earmarked for privatisation, announced a pre-tax loss in the first half of DM\$42m (\$384.30) and recently unveiled plans to cut 6,000 jobs over the next two years, following a 1,800 reduction in the current year.

## Paribas may sue over Ciments Français losses

By Haig Simonian in Milan and Alice Hawthorn in Paris

PARIBAS, the French investment bank, is considering legal action following the discovery of off-balance sheet losses at Ciments Français, the cement company in which it is selling its controlling stake to Italy's Italcementi.

Paribas, which faces a possible compensation claim from Italcementi for part of the purchase price on the Ciments Français stake, yesterday confirmed it was planning to lodge a legal suit. But it has not yet decided on the final form of the action, or whether it would mount the case alone or together with Italcementi.

Paribas would have to decide whether to mount a case against the Ciments Français board, or against Mr Pierre Conso, who resigned on Wednesday as chairman of the company on the disclosure of the losses.

The losses are believed to have arisen from share repur-

chase agreements undertaken between Ciments Français and a variety of third parties, in offshore financial centres such as Guernsey and the Bahamas.

In the deals, the French company is thought to have sold stakes in foreign subsidiaries under its control and in other companies in which it was a minority shareholder on the basis that it would buy back the securities at a pre-established price later.

Many, if not all, the companies concerned were quoted. Subsequent falls in their share prices left Ciments Français facing extraordinary losses on the deals. The French group is also believed to have promised to pay its counterparties interest on the funds provided against the shares.

The Commission des Opérations de Bourse (COB), the watchdog of the Paris stockmarket, has opened an investigation into the Ciments Français controversy.

Italcementi's auditors, KPMG, are still trying to dis-

cover where the money has gone. It could then establish the purpose of the transactions.

French press reports estimate the likely level of the losses at between FF400m (\$63.7m) and FF500m.

Paribas has started discussions with Italcementi over the implications of the losses for their deal. Italcementi's agreement to buy control of Ciments Français from Paribas was announced in April, but is not due for completion until the year-end.

The terms of the agreement are thought to include reference to exceptional circumstances, which could include the discovery of off-balance sheet losses. However, the two sides have not yet been able to assess the full implications of Ciments Français' losses for their agreement. While Italcementi might try to negotiate a lower acquisition price, a simpler solution would be for Paribas to make up the losses once their full extent is known.

## Citicorp sees \$800m gains on disposals

By Alan Friedman in New York

CITICORP, the leading US bank, is hoping to record as much as \$800m of pre-tax gains in the next few months from the disposal of assets, much of them equity holdings in Latin America.

The disclosure was made by Mr John Reed, the Citicorp chairman, in the first of a series of presentations to investors being made in conjunction with the bank's offer of \$650m of preferred stock.

Although the bank is not allowed under US securities law to comment on the sub-

stance of Mr Reed's forecasts, Wall Street analysts who attended the presentation detailed the Citicorp chairman's remarks. They said Mr Reed also said he hoped it would be possible to restore payment of the bank's dividend - which was halted in the third quarter of last year - by 1994.

Mr Reed, who yesterday spoke to investors in Boston and will hold similar meetings in California early next week, was asked by investors why Mr Richard Braddock, the Citicorp president, resigned abruptly earlier this week.

Although many on Wall

Street believe that Mr Braddock was forced out of the bank, Mr Reed said his close friend and long-time aide had resigned because a series of key Citicorp managers were no longer reporting to him. He added that Mr Braddock had largely completed his task of cutting costs.

Analysts have said the departure of Mr Braddock, together with Citicorp's disclosure that it would suffer an \$870m third-quarter write-off in its consumer division and that its net earnings in the third quarter would be about half the expected level - could affect

the market's response to the \$650m preferred stock offer.

Morgan Stanley is expected to price the three-year convertible stock offer next Wednesday, at a yield of between 7% and 8.4 per cent.

In his New York presentation, Mr Reed was asked for assurances that the bank would not again seek rapid growth once its capital had been bolstered and its profitability restored.

Mr Reed, while telling investors that he wished to preserve the bank's global franchise, admitted: "We can never be like we once were."

Correction  
Nordic Investment Bank

PROFITS at the Nordic Investment Bank rose 26 per cent to SDR32.0m (\$48m) in the first eight months of the year. This was incorrectly reported in yesterday's Financial Times.

The latest figure compares with an SDR25.4m profit in the comparable 1991 period. The Helsinki-based bank, which is owned by all five Nordic countries, charged SDR1m in the latest eight months in respect of anticipated loan losses.

## Bramalea threat of liquidation

BRAMALEA, one of two real estate developers controlled by Toronto's Brannan family, has warned that it faces liquidation unless a group of recalcitrant debenture holders agrees to support a debt-restructuring plan, writes Bernard Simon in Toronto.

Mr Marvin Marshall, Bramalea's chief executive, said European individual holders whom the company met in London this week were supportive of the plan. The plan aims to cut Bramalea's debt from C\$49bn to about C\$2bn (US\$1.6bn) over five years through asset sales and concessions from lenders.

## NatWest US unit extends rally

By Alan Friedman

NATIONAL Westminster Bancorp, the wholly-owned US subsidiary of Britain's National Westminster Bank, yesterday said its recovery was continuing thanks to a \$39.4m third-quarter net profit. This compared with a loss of \$65.7m in the third quarter of last year.

Over the past couple of years Natwest's US subsidiary has been hit by a number of property loan problems, including its exposure to Mr Donald Trump, the property and casino developer. The bank has implemented sweeping man-

agement changes in its US unit.

Mr John Tugwell, chairman of Natwest Bancorp, said yesterday he was encouraged by the improving performance and the underlying strength of the bank's core business. He said the introduction of new products had enabled the bank to achieve growth in its net income despite the difficult regional economy and lack of loan demand.

Bad debt provisions in the third quarter were \$30.5m, down from \$123.1m a year ago. For the first nine months of 1992 provisions were \$91.5m,

down from \$479.7m in the same period of 1991.

Net income for the first nine months of 1992 was \$105.5m, a significant turnaround from the \$34.7m of losses recorded in the same period last year.

Total assets of the US subsidiary at the end of the third quarter were \$22.2bn, up from \$21.6bn a year ago. The total loan book stood at \$14.1bn, down from \$14.6bn a year ago. Deposits were \$13.5bn, up from \$13.1bn.

Allowance for loan losses as a percentage of total loans was 4.54 per cent, against 4.63 per cent a year ago.

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	\$350.85	+2.7	\$358.05	\$358.40	\$335.20
Silver per troy oz.	\$228.50	+12.4	\$237.30	\$242.70	\$187.50
Aluminium 99.7% (cash)	\$1189	-26.5	\$1114.5	\$1239.0	\$1105.5
Copper Grade A (cash)	\$1357.5	-22.5	\$1360.5	\$1410.0	\$1295.0
Lead (cash)	\$230.5	-2.2	\$230.5	\$238.5	\$217.5
Nickel (cash)	\$981.5	-90	\$970.0	\$818.0	\$861.5
Zinc (cash)	\$1179.5	-125	\$995.0	\$1457.5	\$1105.5
Tin (cash)	\$2245	+1.5	\$2245	\$2245	\$2245
Cocoa Futures (Mar)	\$287	+20	\$287	\$273	\$252
Coffee Futures (Mar)	\$555	+3	\$537	\$1013	\$675
Sugar (LDP Base)	\$22.5	+1.5	\$22.5	\$22.5	\$18.5
Barley Futures (Jan)	\$126.50	+4.1	\$118.15	\$126.50	\$106.90
Wheat Futures (Jan)	\$127.25	+4.05	\$122.4	\$131.85	\$109.85
Cotton Futures (Nov)	\$60.45	-0.50	\$60.45	\$60.45	\$52.25
Wool (Wes Super)	\$4130	+15	\$3590	\$4800	\$3640
Oil (Brent Blend)	\$20.75x	+0.25	\$21.875	\$21.30	\$17.00

Per tonne unless otherwise stated. Unquoted, p.p.c.m.g., c.c.m.s. 10-11 Nov.

## London Markets

SPOT MARKETS	Latest prices	Change on week	Year ago	High 1992	Low 1992
Crude oil (per barrel FOB/Nov)	+0.7				
Dubai	\$18.85-8.70x				
Brent Blend (dated)	\$20.70-0.80	+27.5			
West Blend (Nov)	\$20.80-0.50	+0.25			
WTI (1st oil)	\$20.80-0.50	+27.5			

Oil products	Latest prices	Change on week	Year ago	High 1992	Low 1992
HEAT (per tonne delivery per tonne CF)					
Premium Gasoline	\$221-224	+4			
Gas Oil	\$202-203	+1			
Heavy Fuel Oil	\$192-194	+1.5			
Naphtha	\$192-194	+1.5			
Petroleum Argus Estimates					

Other	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold (per troy oz.)	\$350.85	+0.2			
Silver (per troy oz.)	\$228.50	+12.4			
Platinum (per troy oz.)	\$350.85	+0.8			
Palladium (per troy oz.)	\$394.75	-0.9			

Copper (US Producer)	Latest prices	Change on week	Year ago	High 1992	Low 1992
Lead (US Producer)	\$230.5	-2.2			
Tin (Kuala Lumpur market)	\$2245	+1.5			
Tin (New York)	\$2245	+1.5			
Tin (US Prime Western)	\$2245	+1.5			

Cattle (live weight)	Latest prices	Change on week	Year ago	High 1992	Low 1992
Sheep (live weight)	\$75.10	+6.1			
Pigs (live weight)	\$75.10	+6.1			
London daily sugar (raw)	\$228.50	+0.8			
London daily sugar (white)	\$228.50	+0.8			
Tale and Lyle export price	\$228.50	+0.8			

Barley (English seed)	Latest prices	Change on week	Year ago	High 1992	Low 1992
Maize (US No 3 yellow)	\$140.0				
Wheat (US Dark Northern)	\$140.0				
Rubber (Nov)	\$58.25				
Rubber (Dec)	\$58.25				
Rubber (LRS No 1 Oct)	\$58.25				

Cocoa oil (Philippines)	Latest prices	Change on week	Year ago	High 1992	Low 1992
Palm oil (Malaysia)	\$407.5	+7.5			
Copra (Philippines)	\$315.0				
Soybeans (US)	\$145.0				
Cotton "A" index	\$3.70c	-0.1			
Wooltops (Wes Super)	\$4130				

Copper (US Producer)	105.0c
Lead (US Producer)	37.8c
Tin (Kuala Lumpur market)	15.20c



# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

### Dollar consolidates its gains

DESPITE another turbulent week in the foreign exchange markets, dealers are wondering whether currency tensions have significantly eased following the subtle changes in German monetary policy, writes James Blitz.

Yesterday, sterling, the dollar and the Italian lira all continued to gain against the German currency as dealers digested the recent cuts in the Bundesbank's money market dealing rates.

The Bundesbank again injected liquidity into the German money markets at a rate of 8.5 per cent, 60 basis points below the emergency Lombard rate, which provides the ceiling for official rates. The differential between the Bundesbank and the Lombard rate by 1/4 percentage point without affecting the structure of market rates.

Germany's high monetary growth makes this a difficult option. Nevertheless, three other factors have weakened

the D-Mark this week. German industry faces growing problems, highlighted by yesterday's news that German exports fell 19 per cent in August.

The Bundesbank drained more liquidity from the market in September than had been thought. A London based analyst said yesterday that the bank had drained DM750bn of liquidity compared to intervention of about DM920bn last month, controlling growth in the M3 money supply.

The US Federal Reserve looks as though it will not cut interest rates until after the US Presidential election because it regards the signs of economic slowdown as inconclusive. The differential between US and German short term rates looks unlikely to widen in the next two months.

The dollar yesterday closed in London at DM1.4855, up 8 pence from the week. Sterling closed at DM2.5125 this week, up nearly 15 pence from

Monday's lows, despite a troubled Conservative party conference.

Pressure has not come off the weaker currencies in the Exchange Rate Mechanism. Mr Jim O'Neill, head of research at Swiss Banking Corporation in London, says the lira's devaluation puts pressure on the peseta and escudo because their economies are closely linked. "Relative competitiveness and a devalued lira put pressure on the other two," he said. The peseta closed at Ptas71.51, near to its floor of Ptas72.62.

The French franc is in a category of its own. The franc's overnight rate was at 12 per cent last night, with the currency closing at FF49.388 to the D-Mark, against an ERM floor of FF43.495. Ms Joanne Peres of Banque Indosuez in Paris says the central bank's reserves are at a mere FF200bn, making high interest rates the only effective weapon.

## IN NEW YORK

Spot	1 Month	3 Month	6 Month	12 Month
1.4855-1.4860	1.4835-1.4840	1.4815-1.4820	1.4795-1.4800	1.4775-1.4780
1.4855-1.4860	1.4835-1.4840	1.4815-1.4820	1.4795-1.4800	1.4775-1.4780

Oct 9	Oct 10	Oct 11	Oct 12	Oct 13
1.4855	1.4860	1.4865	1.4870	1.4875
1.4855	1.4860	1.4865	1.4870	1.4875

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## EMS EUROPEAN CURRENCY UNIT RATES

Currency	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13
Belgian Franc	41.9547	40.5425	-3.32	4.32	47
D-Mark	2.23632	2.23632	0.00	0.00	0.00
French Franc	6.55957	6.55957	0.00	0.00	0.00
Italian Lira	2036.268	2036.268	0.00	0.00	0.00
Spanish Peseta	166.639	166.639	0.00	0.00	0.00

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Currency	Oct 9	Oct 10	Oct 11	Oct
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## LONDON STOCK EXCHANGE Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Tailsman system.

They are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 53(2) of the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

† Bargains at special prices. ‡ Bargains done the previous day.

## British Funds, etc

No. of bargains included 206

Treasury 13% Stk 2000000 - £104.75

Exchequer 10% Stk 2000000 - £104.75

Guaranteed Export Finance Corp PLC

11% Gd Stk 1994 (R) - £102.75

12% Gd Stk 2002(R) - £119.75

## Corporation and County

No. of bargains included 1

Birmingham City Council 11% Stk

1994 (R) - £104.75

Nottingham City Council 11% Stk

1994 (R) - £104.75

## UK Public Bonds

No. of bargains included 2

Agricultural Mortgage Corp PLC 8% Stk

1994 (R) - £104.75

10% Stk 1994 (R) - £104.75

10% Stk 1994 (R) - £104.75

## Foreign Stocks, Bonds, etc (coupons payable in London)

No. of bargains included 91

A.M.P. (UK) PLC 7% Stk 2015 (R)

1994 (R) - £104.75

11% Stk 1994 (R) - £104.75

11% Stk 1994 (R) - £104.75

## Sterling issues by Overseas

No. of bargains included 40

Asian Development Bank 10% Stk

1994 (R) - £104.75

11% Stk 1994 (R) - £104.75

11% Stk 1994 (R) - £104.75

## Borrowers

No. of bargains included 10

Asian Development Bank 10% Stk

1994 (R) - £104.75

11% Stk 1994 (R) - £104.75

11% Stk 1994 (R) - £104.75

## Listed Companies (excluding investment trusts)

No. of bargains included 2284

ABN-AMRO 10% Stk 1994 (R)

1994 (R) - £104.75

11% Stk 1994 (R) - £104.75

11% Stk 1994 (R) - £104.75

Anglo-Asian PLC 10% Stk 1994 (R)

1994 (R) - £104.75

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## LONDON STOCK EXCHANGE

## Market retreats after Major speech

By Steve Thompson

THE STOCK market gave a muted response to the keynote speech by Mr John Major, the prime minister, at the Conservative party's conference in Brighton, with share prices sliding back to close only marginally higher on the day, having opened with widespread and sizeable gains.

But market commentators were reasonably happy with the performance of the market over a week which saw the FT-SE 100 index drop over 100 points on Monday, when sterling was in free fall against the D-mark, before embarking on a determined recovery.

The closing state of the market was in marked contrast to the general view at the outset

Account Dealing Dates		
First Dealings	Oct 5	Oct 19
Second Dealings	Oct 15	Oct 29
Third Dealings	Oct 19	Oct 30
Fourth Dealings	Oct 29	Nov 5

Share price dealings may take place from 10.00 am on business days.

of trading. Share prices opened on a strong note, reflecting a good showing by Wall Street overnight and another positive performance by sterling against the dollar and the D-mark.

Another positive factor in the market was a growing feeling that a series of takeover bids may be about to emerge. Traders and fund managers have been on the alert for pos-

sible stake-building exercises and bid moves since the UK withdrew from the Exchange Rate Mechanism.

Hongkong Land's dawn raid and tender offer for Trafalgar stock and Hanson's bid for RHM are seen as merely the start of a flurry of corporate activity. "The devaluation of sterling makes UK companies now look very cheap to European and American predators," said one dealer.

The Footsie opened 11 points higher and topped out in mid-morning when the index posted a 28-point gain. There was little reaction from the markets to the latest inflation figure. Bouts of profit-taking chopped the rise to one of 11 points immediately before the prime minister spoke.

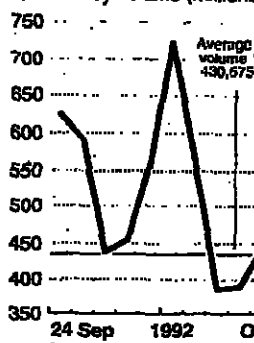
By the time Mr Major resumed his seat, the Footsie was a mere 2.8 higher. It closed 24 firms at 2,541.2, down 8.5 on the week but well clear of the 2,446.3 reached last Monday when sterling plunged in the foreign exchange markets. Traders added that London was showing more concern about Wall Street where the Dow Jones average was down 28 points as London closed.

Mr Richard Jeffrey, equity market strategist at Charterhouse Tilney, the stockbroker, said: "Until the market is reassured it will find it hard to make good ground; it needs another interest rate cut." Turnover of 484.4m shares was disappointingly low, comparing badly with Thursday's 517.6m.

● Retail, or customer, business in London began to tail off early in the week but quickly revived following two sizeable bought deals and a number of programme trades.

## London SE volume

Turnover by volume (millions)



## FINANCIAL TIMES STOCK INDICES

	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Year Ago	High	Low	Since Completion
Government Secs	82.62	82.66	82.33	82.04	81.72	80.70	90.11	85.11	127.40
Fixed Interest	103.73	103.01	102.71	102.31	102.54	96.47	106.46	97.15	106.35
Ordinary Share	1865.2	1870.4	1847.3	1814.2	1779.3	1953.9	2149.7	1870.0	2149.7
Gold Mines	72.6	73.1	71.5	69.4	68.6	168.6	160.6	62.0	73.7
FT-SE 100 Share	2541.2	2538.8	2517.1	2498.4	2446.3	2556.0	2737.8	2281.0	2737.8
FT-SE Eurotrack 200	1070.52	1069.95	1068.71	1065.93	1010.09	1149.95	1248.79	1010.09	1248.79
SEAO Bargains 500m	4.78	4.78	4.82	4.89	4.96	4.75	5.00	4.50	5.00
Equity Turnover (m)	484.4	517.6	471.7	442.0	385.2	354.0	517.6	354.0	517.6
Shares Traded (m)	484.4	517.6	471.7	442.0	385.2	354.0	517.6	354.0	517.6
Ordinary Share Index, Hourly changes	Day's High 1865.2	Day's Low 1864.5	Day's High 1865.2	Day's Low 1864.5	Day's High 1865.2	Day's Low 1864.5	Day's High 1865.2	Day's Low 1864.5	Day's High 1865.2
FT-SE 100, Hourly changes	Day's High 2541.2	Day's Low 2541.0	Day's High 2541.2	Day's Low 2541.0	Day's High 2541.2	Day's Low 2541.0	Day's High 2541.2	Day's Low 2541.0	Day's High 2541.2
FT-SE Eurotrack 200, Hourly changes	Day's High 1070.52	Day's Low 1069.95	Day's High 1070.52	Day's Low 1069.95	Day's High 1070.52	Day's Low 1069.95	Day's High 1070.52	Day's Low 1069.95	Day's High 1070.52

## GILT EDGED ACTIVITY

Indices\* Oct 8 Oct 7

Gilt Edged Bargains 123.6 142.0

5-Day average 136.0 133.9

\*SE Activity 1974, Excluding intra-market business and overseas turnover.

London report and latest share index: Tel. 0891 123001. Cable charged at 35p/minute plus 40p/minute at all other times.

## TRADING VOLUME IN MAJOR STOCKS

ASIT	Volume BSPs	Value £m	Days change	Volume BSPs	Value £m	Days change	Volume BSPs	Value £m	Days change	Volume BSPs	Value £m	Days change				
ASDA Group	5,300	38	+2	Cornwall	1,400	34	+1	Lusho	510	2,500	80	+1	Shah Transocean	4,400	34	+1
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ASDA Group	5,300															

## Standard bid hints refuted

TALK that a predator might be stalking Standard Chartered gave a rationale for a sharp rise in the shares but was largely discounted by many senior analysts.

The shares had fallen 45p since the end of September and were looking to look a step ahead when a well-timed piece of research from BZW gave them a fillip earlier in the week.

The initial rally received a further boost yesterday with the return of speculation that the Development Bank of Singapore (DBS) was poised to bid Standard shares jumped almost 20p before settling with the market to close 12 better at 488p on reasonable turnover of 2.8m shares.

However, analysts said Standard was treating the speculation with caution and they argued that DBS had strong links with the government of Singapore which was unlikely to approve hostile bids for a UK bank. They added that the DBS balance sheet was not strong enough for a bid of this size. Standard has a stock market value of over £1bn.

## Owners volatile

The rollercoaster ride in the shares of Owners-Aboard continued unabated yesterday as rumours refused to fade over the prospects for an imminent takeover bid. Some in the market complained that the proxy "takeover situation" was creating a false market in the shares as traders were forced to extend the trading range of the shares to 10p at one stage to discourage the speculation.

However, City talk continued to point to LTV, the German group admitting yesterday that talks had taken place with Owners. The most favoured option being touted in the market has LTV buying a stake in the UK's second biggest tour operator, thus discouraging the attention of Airtours, ranked number three in the industry, and thought to be the unwanted company which Owners said had approached it three weeks ago. Airtours has refused to comment on the situation.

Owners shares, which opened at 89p, touched 82p at one stage before retreating to close 3p up on the day at 70p. Turnover was a hefty 7.1m.

## Airtours dropped a penny to 296p.

## Trafalgar active

Trafalgar House had a busy session as Hongkong Land's tender offer for 15 per cent to add to the 14.9 per cent acquired last week drew to a close with dealers predicting certain failure for the Far Eastern group.

The ordinary shares eased a penny to 85p, the tender offer being at 85p, while the "A" class shares also softened a penny to 82p, just ahead of the offer price of 82p. UBS Phillips & Drew, which recently became joint broker to Trafalgar, was reported to have been a keen player throughout the session, sending turnover soaring to 7m shares.

One observer predicted HK Land was unlikely to gain more than a handful of shares for its tender offer with the talk of changes in the top of the management of the company cited as reasons for the reluctance of investors to sell.

A series of downgrades in Tate and Lyle knocked the shares as the company held meetings with selected brokers, including Nomura, Cazenove and Panmure Gordon, which had been a keen player throughout the session, sending turnover soaring to 7m shares.

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Profit-taking continued in Unilever, the shares retreating 6p to 102p.

## NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (40)	NEW LOWS (40)
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral

## RISES AND FALLS YESTERDAY

Rises	Falls	Same	Rises	Falls	Same
10	2	15	10	2	15
10	2	15	10	2	15
10	2	15	10	2	15
10	2	15	10	2	15
10	2	15	10	2	15

## support from a short-term buy recommendation from Kleinwort Benson.

Textiles group Lamont Holdings plunged 8p to 238p. Jokes about possible associations with the chancellor of the exchequer abounded but the reality was a 44 per cent slide in interim profits to £2.18m. The slide was largely prompted by problems in the groups Shaw Carpets arm and led to general reductions in forecasts.

S.G. Warburg has slashed its estimate for the full year to 26.75m. At the time of a rights issue in April the market was looking for around £11m.

Specialty chemicals group Laporte rose 8p to 56p, helped by a buy note from BZW. The house argues that worries over the company's quality of earnings, cash generation and medium term prospects have been overdone.

New subscriber figures from Vodafone indicated that the cellular telephone group had won a hefty 8,300 new customers in September. The shares added 3p to 339p.

The oil majors were among the poorest performers in the Footsie. Worries about the international chemicals business, highlighted by a recent cautious presentation by Shell Chemicals, triggered persistent US selling, which lowered BP 3p to 214p, on good turnover of 9.9m and Shell 3p to 519p on 4.4m traded.

Small exploration company Clyde Petroleum jumped sharply after securities house Hoare Govett argued that the shares were heavily undervalued.

Clyde had said that development of the Gryphon oil field in the North Sea, in which it

has a 35 per cent stake, was being speeded up. As a result, Hoare argued that the group's shares should be valued at 60p each to put the Clyde on a par with its peers in the sector. Clyde lifted 5p to 38p.

British Gas improved 2p to 251p with one house suggesting that the regulators might relax some constraints. Meanwhile, Lasmo slipped 1p on a County NatWest sell recommendation.

Barclays Bank saw heavy two-way turnover of 9.7m shares boosted by an agency issue of 1m at 349p a share. Observers said debate over the security of the dividend was prompting interest.

British Steel, which has been under pressure in recent months, moved up 2p to 62p on good turnover of 8.2m shares. The market responded to a buy note issued by Japanese-owned stockbroker Nomura, which said Steel will benefit from sustained devaluation of sterling.

A bout of profit-taking and a profit forecast downgrade from Panmure Gordon depressed Parfs, the shares shedding 5p to 154p. Big turnover for a second day in Queens Moat Houses, yesterday reaching 8.4m, left the shares a half-penny off at 35p.

A large agency cross in Great Portland, with 2m shares thought to have been traded at 98p, left the stock 2p higher at 101p.

Consideration of Bowater following a three-day company visit by analysts led to a fall in the share price, which was marked down by 20p to 830p on very thin turnover. Analysts said they had no complaints about the company but the share price was "well up with events".

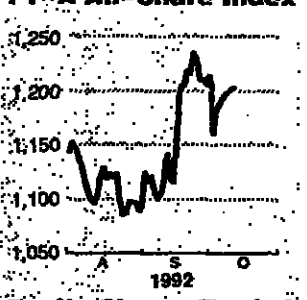
Paper manufacturer Arjo Wiggins Appleton continued easier following a recent forecast downgrade. Yesterday the shares were held back by a large agency cross at 154p and closed 2 off at 154p on turnover of 6.3m.

Hints from government ministers that the Sunday trading laws may be reformed gave a lift to a number of stores stocks, among which Kingfisher advanced 8p to 508p and Dixons put on 7p to 309p.

Airtours group BAA moved ahead 11p to 721p after Kleinwort Benson reiterated its buy recommendation. Mr Peter Bergius at the securities house said the earnings outlook for the company was encouraging being both a defensive and early cycle stock.

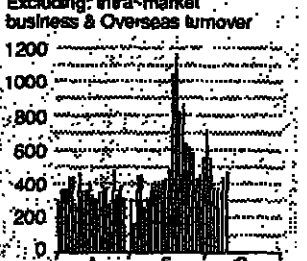
International trader and Toyota distributor Incheape

## FT-A All-Share Index



## Equity Shares Traded

Turnover by volume (million)



## MARKET REPORTERS:

Joel Kibazo

Peter John

Christopher Price.

Other market statistics, Page 11.

## BENCHMARK PRICES

Coupon	Rate	Price	Yield	Week	Month
AUSTRALIA	10.000	100.000	+0.516	8.78	8.06
BELGIUM	8.750	102.300	+0.030	8.39	8.53
CANADA	8.500	104.900	+0.150	7.76	7.74
DENMARK	5.000	110.000	+0.630	9.58	9.58
FRANCE	8.500	109.200	+0.024	8.59	8.77
GERMANY	8.000	108.800	-0.026	7.43	7.41
ITALY	12.000	105.000	-0.090	14.69	13.80
JAPAN	4.800	109.000	-0.308	4.72	4.88
NETHERLANDS	8.250	103.400	+0.070	7.73	7.78
SPAIN	10.300	106.000	+0.060	13.38	13.41
UK GILTS	10.000	117.000	+0.112	8.42	8.50
US TREASURY	6.375	109.000	-0.032	6.40	6.28
ECU (French Govt)	6.500	104.000	+0.280	8.37	9.35

## WORLD TEXTILES

The FT proposes to publish this survey on November 12 1992. Textiles are one of the most heavily traded goods in the world. To discover what the FT is planning for this survey and how to reach our international audience of decision makers, financiers and government administrators contact:

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## AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (2000)F					
51 Belmont Rd, Uxbridge, Middle UBS 1RZ 0995 254783					
AIB Growth America	5	126.8	128.1	134.8	+0.80 15
AIB Growth Equity	5	179.5	182.2	192.9	+2.70 1.67
AIB Growth Euro	5	130.1	132.4	139.4	+0.10 1.85
AIB Growth Gilt	3	71.51	71.93	73.74	+0.54 5.89
AIB Growth Japan	5	113.4	114.6	120.7	+0.90 10.3

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Unit Trust Name	Unit Price	Offer Price	Yield %	Unit Trust Name	Unit Price	Offer Price	Yield %
<b>Shaw (Albert &amp; Co) Ltd (120001)</b>				<b>Whitbread Unit Trust Managers Ltd (120001)</b>			
Shaw's Growth Fund	1.15	1.15	4.5	Whitbread's Growth Fund	1.15	1.15	4.5
Shaw's Income Fund	1.15	1.15	4.5	Whitbread's Income Fund	1.15	1.15	4.5
Shaw's Bond Fund	1.15	1.15	4.5	Whitbread's Bond Fund	1.15	1.15	4.5
Shaw's Equity Fund	1.15	1.15	4.5	Whitbread's Equity Fund	1.15	1.15	4.5
Shaw's International Fund	1.15	1.15	4.5	Whitbread's International Fund	1.15	1.15	4.5
Shaw's Real Estate Fund	1.15	1.15	4.5	Whitbread's Real Estate Fund	1.15	1.15	4.5
Shaw's Hedge Fund	1.15	1.15	4.5	Whitbread's Hedge Fund	1.15	1.15	4.5
Shaw's Commodity Fund	1.15	1.15	4.5	Whitbread's Commodity Fund	1.15	1.15	4.5
Shaw's Multi-Asset Fund	1.15	1.15	4.5	Whitbread's Multi-Asset Fund	1.15	1.15	4.5
Shaw's Global Fund	1.15	1.15	4.5	Whitbread's Global Fund	1.15	1.15	4.5
Shaw's Emerging Markets Fund	1.15	1.15	4.5	Whitbread's Emerging Markets Fund	1.15	1.15	4.5
Shaw's Infrastructure Fund	1.15	1.15	4.5	Whitbread's Infrastructure Fund	1.15	1.15	4.5
Shaw's Natural Resources Fund	1.15	1.15	4.5	Whitbread's Natural Resources Fund	1.15	1.15	4.5
Shaw's Technology Fund	1.15	1.15	4.5	Whitbread's Technology Fund	1.15	1.15	4.5
Shaw's Healthcare Fund	1.15	1.15	4.5	Whitbread's Healthcare Fund	1.15	1.15	4.5
Shaw's Financial Services Fund	1.15	1.15	4.5	Whitbread's Financial Services Fund	1.15	1.15	4.5
Shaw's Media Fund	1.15	1.15	4.5	Whitbread's Media Fund	1.15	1.15	4.5
Shaw's Telecommunications Fund	1.15	1.15	4.5	Whitbread's Telecommunications Fund	1.15	1.15	4.5
Shaw's Energy Fund	1.15	1.15	4.5	Whitbread's Energy Fund	1.15	1.15	4.5
Shaw's Environmental Fund	1.15	1.15	4.5	Whitbread's Environmental Fund	1.15	1.15	4.5
Shaw's Socially Responsible Fund	1.15	1.15	4.5	Whitbread's Socially Responsible Fund	1.15	1.15	4.5
Shaw's Sustainable Development Fund	1.15	1.15	4.5	Whitbread's Sustainable Development Fund	1.15	1.15	4.5
Shaw's Climate Change Fund	1.15	1.15	4.5	Whitbread's Climate Change Fund	1.15	1.15	4.5
Shaw's Biodiversity Fund	1.15	1.15	4.5	Whitbread's Biodiversity Fund	1.15	1.15	4.5
Shaw's Water Fund	1.15	1.15	4.5	Whitbread's Water Fund	1.15	1.15	4.5
Shaw's Forest Fund	1.15	1.15	4.5	Whitbread's Forest Fund	1.15	1.15	4.5
Shaw's Land Use Fund	1.15	1.15	4.5	Whitbread's Land Use Fund	1.15	1.15	4.5
Shaw's Urban Development Fund	1.15	1.15	4.5	Whitbread's Urban Development Fund	1.15	1.15	4.5
Shaw's Rural Development Fund	1.15	1.15	4.5	Whitbread's Rural Development Fund	1.15	1.15	4.5
Shaw's Infrastructure Development Fund	1.15	1.15	4.5	Whitbread's Infrastructure Development Fund	1.15	1.15	4.5
Shaw's Transport Fund	1.15	1.15	4.5	Whitbread's Transport Fund	1.15	1.15	4.5
Shaw's Aviation Fund	1.15	1.15	4.5	Whitbread's Aviation Fund	1.15	1.15	4.5
Shaw's Maritime Fund	1.15	1.15	4.5	Whitbread's Maritime Fund	1.15	1.15	4.5
Shaw's Space Fund	1.15	1.15	4.5	Whitbread's Space Fund	1.15	1.15	4.5
Shaw's Defense Fund	1.15	1.15	4.5	Whitbread's Defense Fund	1.15	1.15	4.5
Shaw's Intelligence Fund	1.15	1.15	4.5	Whitbread's Intelligence Fund	1.15	1.15	4.5
Shaw's Cybersecurity Fund	1.15	1.15	4.5	Whitbread's Cybersecurity Fund	1.15	1.15	4.5
Shaw's Artificial Intelligence Fund	1.15	1.15	4.5	Whitbread's Artificial Intelligence Fund	1.15	1.15	4.5
Shaw's Quantum Computing Fund	1.15	1.15	4.5	Whitbread's Quantum Computing Fund	1.15	1.15	4.5
Shaw's Blockchain Fund	1.15	1.15	4.5	Whitbread's Blockchain Fund	1.15	1.15	4.5
Shaw's Cryptocurrency Fund	1.15	1.15	4.5	Whitbread's Cryptocurrency Fund	1.15	1.15	4.5
Shaw's Digital Marketing Fund	1.15	1.15	4.5	Whitbread's Digital Marketing Fund	1.15	1.15	4.5
Shaw's E-commerce Fund	1.15	1.15	4.5	Whitbread's E-commerce Fund	1.15	1.15	4.5
Shaw's Online Retail Fund	1.15	1.15	4.5	Whitbread's Online Retail Fund	1.15	1.15	4.5
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Shaw's Social Media Fund	1.15	1.15	4.5	Whitbread's Social Media Fund	1.15	1.15	4.5
Shaw's Influencer Marketing Fund	1.15	1.15	4.5	Whitbread's Influencer Marketing Fund	1.15	1.15	4.5
Shaw's Content Marketing Fund	1.15	1.15	4.5	Whitbread's Content Marketing Fund	1.15	1.15	4.5
Shaw's Search Engine Optimization Fund	1.15	1.15	4.5	Whitbread's Search Engine Optimization Fund	1.15	1.15	4.5
Shaw's Pay Per Click Fund	1.15	1.15	4.5	Whitbread's Pay Per Click Fund	1.15	1.15	4.5
Shaw's Email Marketing Fund	1.15	1.15	4.5	Whitbread's Email Marketing Fund	1.15	1.15	4.5
Shaw's Affiliate Marketing Fund	1.15	1.15	4.5	Whitbread's Affiliate Marketing Fund	1.15	1.15	4.5
Shaw's Performance Marketing Fund	1.15	1.15	4.5	Whitbread's Performance Marketing Fund	1.15	1.15	4.5
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Shaw's Lead Generation Fund	1.15	1.15	4.5	Whitbread's Lead Generation Fund	1.15	1.15	4.5
Shaw's Sales Funnel Fund	1.15	1.15	4.5	Whitbread's Sales Funnel Fund	1.15	1.15	4.5
Shaw's Marketing Automation Fund	1.15	1.15	4.5	Whitbread's Marketing Automation Fund	1.15	1.15	4.5
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Shaw's Data Analytics Fund	1.15	1.15	4.5	Whitbread's Data Analytics Fund	1.15	1.15	4.5
Shaw's Business Intelligence Fund	1.15	1.15	4.5	Whitbread's Business Intelligence Fund	1.15	1.15	4.5
Shaw's Supply Chain Fund	1.15	1.15	4.5	Whitbread's Supply Chain Fund	1.15	1.15	4.5
Shaw's Logistics Fund	1.15	1.15	4.5	Whitbread's Logistics Fund	1.15	1.15	4.5
Shaw's Procurement Fund	1.15	1.15	4.5	Whitbread's Procurement Fund	1.15	1.15	4.5
Shaw's Inventory Management Fund	1.15	1.15	4.5	Whitbread's Inventory Management Fund	1.15	1.15	4.5
Shaw's Warehouse Fund	1.15	1.15	4.5	Whitbread's Warehouse Fund	1.15	1.15	4.5
Shaw's Distribution Fund	1.15	1.15	4.5	Whitbread's Distribution Fund	1.15	1.15	4.5
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Shaw's Alternative Investments Fund	1.15	1.15	4.5	Whitbread's Alternative Investments Fund	1.15	1.15	4.5
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Shaw's Residential Real Estate Fund	1.15	1.15	4.5	Whitbread's Residential Real Estate Fund	1.15	1.15	4.5
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Shaw's Office Real Estate Fund	1.15	1.15	4.5	Whitbread's Office Real Estate Fund	1.15	1.15	4.5
Shaw's Retail Real Estate Fund	1.15	1.15	4.5	Whitbread's Retail Real Estate Fund	1.15	1.15	4.5
Shaw's Healthcare Real Estate Fund	1.15	1.15	4.5	Whitbread's Healthcare Real Estate Fund	1.15	1.15	4.5
Shaw's Education Real Estate Fund	1.15	1.15	4.5	Whitbread's Education Real Estate Fund	1.15	1.15	4.5
Shaw's Hospitality Real Estate Fund	1.15	1.15	4.5	Whitbread's Hospitality Real Estate Fund	1.15	1.15	4.5
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Shaw's Sports Real Estate Fund	1.15	1.15	4.5	Whitbread's Sports Real Estate Fund	1.15	1.15	4.5
Shaw's Entertainment Real Estate Fund	1.15	1.15	4.5	Whitbread's Entertainment Real Estate Fund	1.15	1.15	4.5
Shaw's Media Real Estate Fund	1.15	1.15	4.5	Whitbread's Media Real Estate Fund	1.15	1.15	4.5
Shaw's Telecommunications Real Estate Fund	1.15	1.15	4.5	Whitbread's Telecommunications Real Estate Fund	1.15	1.15	4.5
Shaw's Energy Real Estate Fund	1.15	1.15	4.5	Whitbread's Energy Real Estate Fund	1.15	1.15	4.5
Shaw's Environmental Real Estate Fund	1.15	1.15	4.5	Whitbread's Environmental Real Estate Fund	1.15	1.15	4.5
Shaw's Socially Responsible Real Estate Fund	1.15	1.15	4.5	Whitbread's Socially Responsible Real Estate Fund	1.15	1.15	4.5
Shaw's Sustainable Development Real Estate Fund	1.15	1.15	4.5	Whitbread's Sustainable Development Real Estate Fund	1.15	1.15	4.5
Shaw's Climate Change Real Estate Fund	1.15	1.15	4.5	Whitbread's Climate Change Real Estate Fund	1.15	1.15	4.5
Shaw's Biodiversity Real Estate Fund	1.15	1.15	4.5	Whitbread's Biodiversity Real Estate Fund	1.15	1.15	4.5
Shaw's Water Real Estate Fund	1.15	1.15	4.5	Whitbread's Water Real Estate Fund	1.15	1.15	4.5
Shaw's Forest Real Estate Fund	1.15	1.15	4.5	Whitbread's Forest Real Estate Fund	1.15	1.15	4.5
Shaw's Land Use Real Estate Fund	1.15	1.15	4.5	Whitbread's Land Use Real Estate Fund	1.15	1.15	4.5
Shaw's Urban Development Real Estate Fund	1.15	1.15	4.5	Whitbread's Urban Development Real Estate Fund	1.15	1.15	4.5
Shaw's Rural Development Real Estate Fund	1.15	1.15	4.5	Whitbread's Rural Development Real Estate Fund	1.15	1.15	4.5
Shaw's Infrastructure Development Real Estate Fund	1.15	1.15	4.5	Whitbread's Infrastructure Development Real Estate Fund	1.15	1.15	4.5
Shaw's Transport Real Estate Fund	1.15	1.15	4.5	Whitbread's Transport Real Estate Fund	1.15	1.15	4.5
Shaw's Aviation Real Estate Fund	1.15	1.15	4.5	Whitbread's Aviation Real Estate Fund	1.15	1.15	4.5
Shaw's Maritime Real Estate Fund	1.15	1.15	4.5	Whitbread's Maritime Real Estate Fund	1.15	1.15	4.5
Shaw's Space Real Estate Fund	1.15	1.15	4.5	Whitbread's Space Real Estate Fund	1.15	1.15	4.5
Shaw's Defense Real Estate Fund	1.15	1.15	4.5	Whitbread's Defense Real Estate Fund	1.15	1.15	4.5
Shaw's Intelligence Real Estate Fund	1.15	1.15	4.5	Whitbread's Intelligence Real Estate Fund	1.15	1.15	4.5
Shaw's Cybersecurity Real Estate Fund	1.15	1.15	4.5	Whitbread's Cybersecurity Real Estate Fund	1.15	1.15	4.5
Shaw's Artificial Intelligence Real Estate Fund	1.15	1.15	4.5	Whitbread's Artificial Intelligence Real Estate Fund	1.15	1.15	4.5
Shaw's Quantum Computing Real Estate Fund	1.15	1.15	4.5	Whitbread's Quantum Computing Real Estate Fund	1.15	1.15	4.5
Shaw's Blockchain Real Estate Fund	1.15	1.15	4.5	Whitbread's Blockchain Real Estate Fund	1.15	1.15	4.5
Shaw's Cryptocurrency Real Estate Fund	1.15	1.15	4.5	Whitbread's Cryptocurrency Real Estate Fund	1.15	1.15	4.5
Shaw's Digital Marketing Real Estate Fund	1.15	1.15	4.5	Whitbread's Digital Marketing Real Estate Fund	1.15	1.15	4.5
Shaw's E-commerce Real Estate Fund	1.15	1.15	4.5	Whitbread's E-commerce Real Estate Fund	1.15	1.15	4.5
Shaw's Online Retail Real Estate Fund	1.15	1.15	4.5	Whitbread's Online Retail Real Estate Fund	1.15	1.15	4.5
Shaw's Digital Advertising Real Estate Fund	1.15	1.15	4.5	Whitbread's Digital Advertising Real Estate Fund	1.15	1.15	4.5
Shaw's Social Media Real Estate Fund	1.15	1.15	4.5	Whitbread's Social Media Real Estate Fund	1.15	1.15	4.5
Shaw's Influencer Marketing Real Estate Fund	1.15	1.15	4.5	Whitbread's Influencer Marketing Real Estate Fund	1.15	1.15	4.5
Shaw's Content Marketing Real Estate Fund	1.15	1.15	4.5	Whitbread's Content Marketing Real Estate Fund	1.15	1.15	4.5
Shaw's Search Engine Optimization Real Estate Fund	1.15	1.15	4.5	Whitbread's Search Engine Optimization Real Estate Fund	1.15	1.15	4.5
Shaw's Pay Per Click Real Estate Fund	1.15	1.15	4.5	Whitbread's Pay Per Click Real Estate Fund	1.15	1.15	4.5
Shaw's Email Marketing Real Estate Fund	1.15	1.15	4.5	Whitbread's Email Marketing Real Estate Fund	1.15	1.15	4.5
Shaw's Affiliate Marketing Real Estate Fund	1.15	1.15	4.5	Whitbread's Affiliate Marketing Real Estate Fund	1.15	1.15	4.5
Shaw's Performance Marketing Real Estate Fund	1.15	1.15	4.5	Whitbread's Performance Marketing Real Estate Fund	1.15	1.15	4.5
Shaw's Conversion Rate Real Estate Fund	1.15	1.15	4.5	Whitbread's Conversion Rate Real Estate Fund	1.15	1.15	4.5
Shaw's Customer Acquisition Real Estate Fund	1.15	1.15	4.5	Whitbread's Customer Acquisition Real Estate Fund	1.15	1.15	4.5
Shaw's Lead Generation Real Estate Fund	1.15	1.15	4.5	Whitbread's Lead Generation Real Estate Fund	1.15	1.15	4.5
Shaw's Sales Funnel Real Estate Fund	1.15	1.15	4.5	Whitbread's Sales Funnel Real Estate Fund	1.15	1.15	4.5
Shaw's Marketing Automation Real Estate Fund	1.15	1.15	4.5	Whitbread's Marketing Automation Real Estate Fund	1.15	1.15	4.5
Shaw's CRM Real Estate Fund	1.15	1.15	4.5	Whitbread's CRM Real Estate Fund	1.15	1.15	4.5
Shaw's Data Analytics Real Estate Fund	1.15	1.15	4.5	Whitbread's Data Analytics Real Estate Fund	1.15	1.15	4.5
Shaw's Business Intelligence Real Estate Fund	1.15	1.15	4.5	Whitbread's Business Intelligence Real Estate Fund	1.15	1.15	4.5
Shaw's Supply Chain Real Estate Fund	1.15	1.15	4.5	Whitbread's Supply Chain Real Estate Fund	1.15	1.15	4.5
Shaw's Logistics Real Estate Fund	1.15	1.15	4.5	Whitbread's Logistics Real Estate Fund	1.15	1.15	4.5
Shaw's Procurement Real Estate Fund	1.15	1.15	4.5	Whitbread's Procurement Real Estate Fund	1.15	1.15	4.5
Shaw's Inventory Management Real Estate Fund	1.15	1.15	4.5	Whitbread's Inventory Management Real Estate Fund	1.15	1.15	4.5
Shaw's Warehouse Real Estate Fund	1.15	1.15	4.5	Whitbread's Warehouse Real Estate Fund	1.15	1.15	4.5



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## WORLD STOCK MARKETS

## AMERICA

## Dow declines as hopes of a rate cut fade

## Wall Street

US share prices fell sharply on a report that the Federal Reserve has no plans to cut interest rates in the near future, another rise in bond yields and a big fall in Ford, writes Patrick Harper in New York.

By 3 pm the Dow Jones Industrial Average was down 30.80 at 3,145.23. The more broadly based Standard & Poor's 500 was also lower at mid-session, down 3.94 at 403.81, while the Amex composite gave up 1.44 at 385.57 and the Nasdaq composite slipped 2.34 to 571.54. Turnover on the NYSE was 110m shares by 1 pm, and declines outnumbered rises by a ratio of more than two to one.

Hopes that the Fed would ease monetary policy, however, in conjunction with the Bundesbank in Germany, crumbled yesterday in the wake of a newspaper report in which a senior Fed official ruled out a rate cut before the November 3 election.

The story sent bond prices tumbling, and pushed the yield on the benchmark 30-year bond back above 7.5 per cent.

Investors are also worried about the third quarter reporting season, and that the market's expectations for corporate earnings may be unreasonably high.

Ford's share price dropped 2.3% to \$24.14 in turnover of 3m shares after the company disclosed in its prospectus for a \$1bn preferred stock offering that it may make a loss in the third and fourth quarter because of economic uncertainty affecting its European markets, and continued stagnation in domestic sales.

The bad news from Ford hit the other two big motor stocks. Chrysler fell 1% to \$22 and General Motors, which suffered from a string of analysts' downgrades earlier in the week, dropped 1% to \$23.

AMR, parent group of American Airlines, fell 1% to \$55.5 after the carrier announced it was abandoning the four-tiered fare structure it introduced in April because of intense price competition among domestic US airlines. Concern that the price war will continue to cripple the industry weighed on other airline stocks, with Delta dropping 3% to \$55.5, United 1% to \$113.4, and USAir 1% to \$111.

Brilliance China, which owns a majority stake in China's largest mini-bus manufacturer and is the first Chinese company to raise equity finance in the US, made an impressive debut yesterday. The stock was trading at \$30 by early afternoon, up sharply from its issue price of \$16.

Caspar's World fell 2% to \$33.4 after the company warned of lower first-quarter profits.

## Canada

TORONTO stocks stuck to slightly lower levels in quiet trading ahead of the Thanksgiving holiday weekend. The TSX 300 composite index was down 5.5 at 3,231.8 in volume of 10.9m shares valued at C\$165m.

Among active issues, Inco was flat at C\$28.4, Lac Minerals eased 0.5% to C\$28.4, Alcan was unchanged at C\$20, Placer Dome was flat at C\$14.4 and BCE slipped 0.4% to C\$43.

Bransell tumbled 8 cents to 43 cents after its majority shareholders decided late on Thursday to oppose the company's proposed restructuring plan.

## SOUTH AFRICA

DE BEERS and other mining shares were lifted by overseas (mainly US) buying, and held the overall index to an unchanged 3,080. Industrials fell 16 to 4,066, and golds closed 8 lower at 863.

## Frankfurt ponders the prospects of recovery

But German equities are in a transitional phase, writes David Waller, as they wait for the Bundesbank

It has been a grim third quarter for the German stock market. The DAX index of the top thirty shares fell by 15 per cent; and while in sterling terms, that represented a real gain, the devaluation effect only served to increase the temptation for London institutions to take profits, encouraging prices to sink further.

The market was driven down by a host of factors: among others, by turmoil in the currency markets, by fears about the direction of interest rates, and by a reassessment of the prospects for corporate earnings in general next year.

The worst performers were automotive, engineering and steel companies such as MAN, the truck group, which lost 35 per cent in the three months, and Thyssen, Mannesmann, Volkswagen and Daimler-Benz, all of which lost 27 per cent. The best were the banks, especially Dresdner Bank (the special dividend), which was a mere 1 per cent down over the quarter) and the two big Bavarian banks, Bayerische Vereinsbank and Bayerische Hypothek. These three outperformed the market by 15 to 18 per cent.

There is talk now of consolidation and potential recovery. The relationship between yields on shares and government bonds has begun to make shares look cheap, optimists argue. And after the Bundesbank's quarter-point cut in the Lombard rate last month, they are hopeful that the direction of interest rates will now be decisively downwards.

The trouble is that the market is still in a transitional phase. It is clear that the Bundesbank was about to embark on a cycle of interest rate cuts to rival the halving of rates in previous recessionary phases (1974-1976 and 1981-1983) then the market would recover robustly, driven by the financials which account for a third of the DAX and could be expected to do particularly well when interest rates were coming down.

But the Bundesbank's signals are conflicting. It is positive that money market rates are down below 9 per cent - standing at 8.9 per cent yesterday, nearly a full percentage point down from their level at the beginning of September.

It is ambivalent that the Bundesbank appears to be taking pains to explain that M3

money supply growth can be distorted. This could possibly be a preparation for the time when they cut rates, without having achieved their target of keeping monetary growth down to 3.5-5.5 per cent.

Alternatively, it could merely be that the Bundesbank is hinting that it will not increase rates after what is likely to be a dreadful figure for September M3 growth, due later this month. The figure, bloated by the impact of intervention, could be as bad as 10 per cent.

Negative, from the market's point of view, is that Mr Helmut Schlesinger, the Bundesbank president, and his colleagues on the central council have not ceased to emphasise that the main target of policy is to squeeze inflation out of the system. The current structure of interest rates leaves scope for another quarter-point cut in the Lombard rate; but there is no indication that Mr Schlesinger will present the markets, and the German economy, with a full half-point cut by the end of the year.

This combination of factors leads to uncertainty, and encourages investors to focus on the rapidly deteriorating

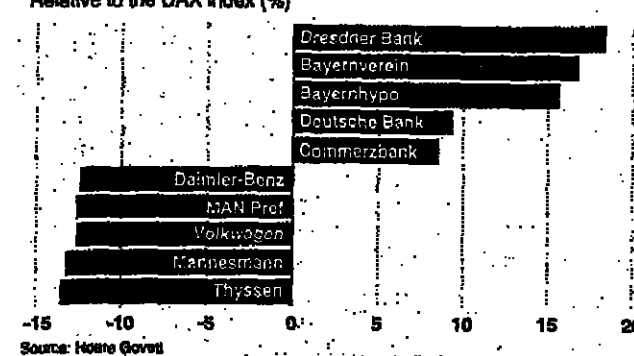
fundamentals for the German economy. It has long been taken for granted that the economy would benefit from a surge of exports to the US and west European countries as they came out of recession. But in recent weeks there has been a shift in perceptions. Recovery in the US and elsewhere looks as far away as ever, and forecasts of growth in Germany have had to be slashed in consequence.

The relative strengthening of the D-Mark in recent weeks has encouraged the gloom and Goldman Sachs, for example, has just cut its growth forecast for western German GDP growth for next year from 2.5 per cent to just 0.5 per cent. The corollary of this is sharply reduced earnings expectations. Barclays de Zoete Wedd in Frankfurt now expects earnings to grow by only 3 per cent next year, compared to a forecast of 11 per cent growth until the Bundesbank raised rates in July.

So, argues Mr Jürgen Röttgen of BZW, the market is going to move down further, before it reaches a plateau at which it may start to look cheap again. He expects the DAX index to go as low as 1,300, down from

## DAX Performance: third quarter 1992

Relative to the DAX index (%)



Source: Home Gains

yesterday's 1,439.66, 11.46 lower on the day. Only then will investors be tempted back into equities by what will be a 5 per cent gap between yields on equities and on bonds, he says.

Mr Robert Willis at Hoare Govett in London is more optimistic - mainly because he believes that the Bundesbank will not allow Germany to sink into a fully-fledged recession and may, therefore, embark on "possibly dramatic" interest rate cuts in the course of next year. He acknowledges, though, that investor confidence will recover only slowly, and predicts a drift in prices

before a significant recovery towards the turn of the year.

Hoare expects the banking sector to continue to outperform, both because the sector's earnings should remain more resilient than in other sectors, and because of the sector's high gearing to a fall in interest rates. Other recommendations include BASF, the chemicals company whose share price, Mr Willis argues, will be underpinned by a yield equating to the 7.5 per cent on long bonds, even if the 1992 dividend is cut to DM10 per share.

## EUROPE

## Pirelli Tyre sheds 40% on plan to double equity

BY the close of a turbulent week, most bourses had managed to recoup most of the losses suffered on Monday, writes Mark Harris.

AMSTERDAM was surprised by Pirelli Tyre Holding's decision to double the share capital. The CBS Tendency index closed down 0.7 at 107.8, a fall of 2 per cent on the week.

Pirelli closed down 18.40 or nearly 40 per cent at F12.70, following news of its one-for-one rights issue, priced at F10 per share and underwritten by its parent, Pirelli SPA. The company said that the capital was needed to fund its new restructuring programme, to help increase profitability and improve efficiency. Last month the group forecast further losses for 1992.

FT-SE Eurotrack 100 - Oct 9									
Hourly changes									
Open	11.30am	12 pm	1 pm	2 pm	3 pm	4 pm	close		
889.22	890.64	888.73	891.22	891.05	885.90	886.91	887.08		
Day's High			981.83	Day's Low			985.01		
Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2			
886.33	871.05	854.29	837.42	833.56	833.56	833.56			

Share price 1000 (20/10/92)

Rumours that KNP, the paper producer, might hold a press conference on Monday at which it would announce a scaling back in 1992 forecasts saw the shares down F12.70 or 6.3 per cent at F13.80.

Fokker, 90 cents lower at F17.10, was again upset by reports, which it later denied, that Dasa was not going ahead with plans to take a majority stake. The rumours have been

compounded by news earlier this week that Dasa is cutting staff, one analyst said.

MILAN continued to advance, but dealers were divided about whether the market was still in a technical rebound or whether the long-awaited recovery had started. The Comit index rose 15.09 to 397.57, up 8.3 per cent on the week, in turnover estimated at around Thursday's relatively

heavy L195.6bn. Fiat gained 5.8 per cent to L224 to L4,074 while Stet recouped another L85 to L1,285 and Italcementi added L286 or 4.1 per cent to L13,500. But Pirelli fell L8 to L12,072 on news of its Dutch tyre unit's big capital increase.

PARIS lost early gains as Wall Street opened lower. The CAC-40 index fell 16.52 to 1,657.34, down 1.5 per cent on the week, in moderate turnover of FF11.5bn.

A denial from Havas that it had any interest in buying shares in Hachette sent the latter's shares down by FF22.70 or 14.3 per cent to FF1136 as speculators sold out. Havas lost FF6.80 to FF7.68.30.

MADRID saw profit-taking ahead of the weekend. The gen-

eral index rose 0.39 to 193.10, up 3.6 per cent on the week. Analysts said that September inflation data due on Tuesday may interrupt this week's rally.

STOCKHOLM continued to be supported by lower domestic interest rates, as the central bank cut its key lending rate to 18.5 per cent from 19 per cent. The Affärsvärlden General index rose 14.9 to 888.0, but was 1.9 per cent lower on the week, in turnover of SKr354m after SKr387m.

BRUSSELS closed mostly higher in spite of 5 per cent fall in Petrofina. The Bel-20 index rose 5.6 to 1,004.87, steady on the week.

Petrofina tumbled Bfr410 to Bfr7.950, its lowest level this year, on news that Norway

might order the closing of a North Sea oil field and gas processing plant in which Petrofina has a 30 per cent stake.

ZURICH featured chemicals again after Roche's forecast of a "considerable improvement" in 1992 group earnings on Thursday. The SMI index rose 8.1 to 1,678.4, a 0.5 per cent gain on the week. Roche certificates firmed Sfr7.70 to Sfr8.630 while its bearers added Sfr110 to Sfr150.50.

COPENHAGEN's bank shares recovered as the result of rising bond prices, writes Hilary Barnes. Danske Bank rose DKr5 to DKr22.9 and Unidankmark A by DKr2 to DKr105. The all share index eased 0.25 to 255.10, down 4.3 per cent on the week.

## ASIA PACIFIC

## Nikkei falls on options-related selling

## Tokyo

SELL programs linked to yesterday's settlement of October options pushed back share prices in the morning session but the Nikkei average managed to close above the important 17,000 level, writes Emilio Teranishi in Tokyo.

The 225-issue index shed 27.73 to 17,059.7, down 1.5 per cent on the week. After opening at the day's high of 17,275.13, heavy index-linked selling pushed it to the day's low of 16,973.62.

Volume rose to 480m shares from 204m. Traders attributed the rise to options-related activity, as some 300m shares were traded in the morning session. Institutional investors remained on the sidelines.

Losers led gains by 494 to 405, with 187 issues remaining unchanged. The Topix index of all first section stocks fell 6.04 to 1,298.65, and in London, the ISE/Nikkei 50 index rose 1.71 to 1,036.13.

Traders said that most of the share price movements during

the past week were either options-related or due to short-term trading by dealers and individuals. "There's no really long-term money coming in," said one analyst. He added that while some US pension funds were indicating buying interest, European investors were small lot sellers.

Speculators bought up plant engineers on prospects of new overseas projects, but took their profits in the afternoon ahead of the weekend. Chiyoda fell Y10 to Y1,920 and Toyo Engineering lost Y15 to Y950.

The dollar's strength against the yen helped some high-tech-related issues. Sony gained Y20 to Y3,950 and Hitachi Y4 to Y749.

Sumitomo Chemical, the most active issue of the day, rose Y12 to Y471 on reports of rising sales of its hepatitis treatment. Kikkoman, a soy sauce maker, lost Y18 to Y967 on the recent decline in import prices of soyabean, due to the yen's appreciation.

In Osaka, the OSE average fell 14.47 to 18,893.89 in volume of 15m shares.

## Roundup

DOMESTIC issues worried the region's markets yesterday.

HONG KONG was boosted by reports that a Sino-US trade dispute could soon be resolved and the Hang Seng index rose 41.18 to 5,586.71, flat on the week. Turnover was HK\$2.4bn, with some HK\$1.2bn coming in the last 30 minutes of trading.

Utilities were active with China Light and Power up HK\$1.25 to HK\$33.50 on forecasts of good long-term growth. SEOUL continued to advance with foreign buying seen in Pohang Iron and Steel and Korea Electric Power. The composite index added 5.84 to 594.27 a gain of 2.1 per cent on the week. Turnover was Won24.8bn after Thursday's Won28bn.

TAIWAN fell 1.8 per cent on worries about the slowdown in the economy, some brokers said. The weighted index fell 65.46 to 3,622.76, a 2.5 per cent fall over the week. Turnover was T\$17.4bn.

MANILA, encouraged by reports that the IMF had approved the release of \$130m for the country's economic stabilisation programme, broke out of the week's downward trend. The composite index gained 4.31 to 1,408.13, down 1.4 per cent on the week. Combined turnover was \$42m pesos.

AUSWALLA saw a lack of overseas buying and the All Ordinaries index advanced just 0.7 to 1,466.2 in turnover of A\$18.4m, down 1.1 per cent on the week.

Westpac was firmer on unsubstantiated rumours that Mr Kerry Packer may take a 10 per cent stake, closing 5 cents higher at A\$2.84. Elsewhere, News Corp slid 28 cents to A\$24.10 while BHP added 4 cents to A\$11.68.

BANGKOK improved with banks featured among the day's most active stocks. The SET index rose 2.98 to 886.34, up 0.6 per cent on the week. Turnover was Bt16.4bn as declines led advances by 136 to 109. Krung Thai bank rose Bt2 to Bt218.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS																
THURSDAY OCTOBER 8 1992																
MONDAY OCTOBER 7 1992																
DOLLAR INDEX																
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on %	Gross US Dollar Index	Round Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)	
Australia (68)	123.72	+1.0	106.54	94.59	94.75	114.01	+0.8	4.28	122.46	103.77	92.91	91.71	113.08	153.88	122.45	126.34
Austria (16)	158.52	-1.7	134.68	117.36	117.07	117.02	+0.2	2.50	158.25	135.72	118.16	116.17	158.52	189.82	141.24	148.54
Belgium (42)	140.96	-1.1	123.66	107.76	107.94	105.33	+0.9	5.85	142.45	123.51	105.85	106.65	104.34	152.27	135.87	122.45
Canada (114)	114.80	+0.9	100.71	87.77	87.51	103.54	+0.7	3.41	113.80	96.26	86.32	85.19	102.84	142.12	113.90	122.45
Denmark (35)	194.42	-2.1	170.58	148.65	148.86	150.28	+0.6	1.80	198.89	171.55	150.72	148.75	160.32	273.94	194.24	246.75
Finland (15)	56.84	-1.8	49.86	43.46	43.53	55.51	+0.8	2.54	57.80	48.99	43.91	43.24	55.15	66.90	52.04	61.24
France (107)	148.54	-1.2	130.40	113.84	113.82	115.93	+0.1	3.23	150.47	124.13	104.13	103.82	129.92	181.86	107.14	101.24
Germany (84)	108.27	-1.3	94.98	82.79	82.81	82.51	+1.0	2.76	109.56	94.88	83.18	82.09	82.09	129.69	106.27	111.24
Hong Kong (59)	220.12	+0.0	201.58	175.94	175.24	225.43	+0.3	3.80	230.91	199.38	175.15	172.88	229.16	236.05	176.36	177.44
Ireland (16)	119.81	-2.2	118.41	104.08	104.23	107.29	+0.5	5.06	129.12	122.12	108.75	108.14	106.79	173.71	136.11	144.64
Italy (77)	51.95	+3.8	45.57	38.71	38.78	50.76	+4.5	4.11	50.04	43.21	37.85	38.46	48.58	56.96	47.46	55.50
Japan (472)	107.65	-0.3	94.44	82.30	82.45	82.30	+0.5	1.09	107.64	81.88	80.92	81.88	140.86	87.27	88.00	88.00
Malaysia (68)	244.67	-0.2	214.64	187.05	187.38	236.14	+0.2	2.77	245.00	211.61	195.88	183.46	233.72	250.16	212.48	216.48
Mexico (18)	133.34	+0.5	119.09	101.40	102.09	432.32	+0.5	1.32	132.81	114.06	105.50	99.79	4510.80	1789.77	1185.84	1489.20
Netherlands (25)	160.43	-1.5	140.74	122.65	122.86	121.93	+0.8	4.67	162.81	140.59	123.50	122.19	120.84	159.70	147.88	132.22
New Zealand (14)	36.76	-0.9	34.87	30.39	30.44	36.85	+0.8	5.83	40.09	34.62	30.41	30.02	39.16	46.02	36.75	52.84
Norway (22)	136.95	-1.1	120.14	104.70	104.88	111.34	+0.8	2.18	132.82	110.57	103.70	103.70	140.16	129.85	106.75	117.44
Singapore (38)	186.16	-0.1	163.32	142.33	142.56	137.22	+0.4	2.40	185.33	160.89	141.34	139.49	138.68	223.63	161.71	163.84
South Africa (50)	157.22	+0.0	137.39	122.21	122.41	149.50	+0.2	3.40	157.16	135.70	119.21	117.65	150.17	263.84	140.21	154.24
Spain (48)	112.85	+0.5	98.01	86.29	86.43	88.86	+2.8	6.83	112.30	96.97	85.18	84.07	87.37	161.72	110.05	135.05
Sweden (31)	150.49	-1.4	132.02	115.06	115.25	123.31	+0.1	3.18	152.84	131.80	115.78	114.27	123.15	200.28	148.69	170.24
Switzerland (60)	115.13	-2.3	101.00	88.03	88.18	92.53	+0.7	2.30	117.84	101.70	88.40	88.40	92.27	123.87	99.59	97.54
United Kingdom (228)	169.80	-0.5	148.96	125.81	126.03	148.96	+0.6	4.22	171.13	142.72	126.12	126.12	169.80	174.89	139.00	148.89
USA (322)	166.64	+0.9	146.19	127.41	127.62	166.64	+0.9	3.05	165.16	142.61	125.28	125.28	165.16	173.89	160.92	158.06
Europe (781)	136.31	-0.9	119.58	104.21	104.39	112.24	+1.0	4.19	137.56	116.78	104.34	102.99	111.11	156.88	136.96	134.96
Nordic (101)	141.24	-0.6	123.81	107.38	107.18	108.41	+0.1	2.70	143.57	123.57	108.08	108.08	123.57	189.82	141.24	148.54
Pacific Basin (714)	111.91	-0.2	98.18	85.70	85.70	87.40	+0.5	1.39	112.15	98.89	83.97	83.97	98.89	141.97	93.70	122.45
Euro-Pacific (1468)	121.78	-0.5	106.83	93.10	93.26	97.52	+0.7	2.86	122.43	102.72	92.86	91.85	96.82	146.21	113.80	126.19
North America (838)	168.42	+0.9	143.36	124.95	125.17	162.35	+0.9	3.07	161.88	139.65	122.87	121.27	160.92	170.49	158.70	170.49
Europe Ex. UK (553)	116.08	-1.0	101.84	88.77	88.92	82.10	+1.2	3.68	117.28	101.25	88.96	87.81	91.04	132.86	116.08	116.08
Pacific Ex. Japan (242)	153.08	-0.2	134.22	117.71	117.70	136.66	+0.2	3.82	153.44	132.49	112.49	112.49	136.66	181.86	107.14	101.24
World Ex. US (1087)	122.83	-0.5	107.58	83.77	83.92	98.99	+0.7	2.68	123.21	106.35	93.47	92.25	98.70	149.51	116.18	126.56
World Ex. UK (1981)	133.38	+0.2	117.01	101.96	102.16	117.16	+0.8	2.88	133.13	114.90	100.99	99.86	116.25	158.28	127.21	120.33
World	136.50	+0.1	119.75	104.37	104.54	119.72	+0.8	2.83	138.38	117.76	103.46	102.11	111.78	155.05	130.04	124.93
World Ex. Japan (1737)	153.12	+0.2	134.73	120.47	120.78	141.00	+0.9	3.49	152.73	131.93	115.91	114.41	140.58	165.40	152.57	128.08
World Index (2209)	136.54	+0.1	119.78	104.40	104.57	120.05	+0.8	2.83	138.42	117.80	103.45	102.14	110.99	155.70	130.66	124.94



## LONDON SHARE SERVICE

## AMERICANS

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994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**MINES - Cont.**[illegible]

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 \*Hill Pake.....

1	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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...based on mid-prices, are greater than the equilibrium of decentralized distribution and are not as high as the

of stocks. This includes UK stocks which  
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# FINANCIAL TIMES

Weekend October 10/October 11 1992

**FRUEHAUF**

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## Life company fined for churning client policies

 By Norma Cohen,  
 Investments Correspondent

THE LIFE company Cannon Assurance has been fined £50,000 and ordered to pay compensation for "churning" customer policies, the first time regulators have been able to prove such a charge.

Allegations of policy "churning" have been rife in the life assurance industry for years. Churning occurs when sales agents urge a client to cash in an existing policy after a short time and replace it with another.

Cannon, based in Wembley, north London, has also been ordered to pay the costs of the investigation, believed to be about £50,000.

Mr Eugene McCormack, the company's marketing director, declined to reveal the cost of paying compensation to clients except to say: "There were quite

a number of people involved."

The company is a wholly owned subsidiary of Lincoln National Corporation, a US financial services group based in Fort Wayne, Indiana. It has about 250,000 policies in force and £500m in assets under management. Cannon said that Cannon had cooperated fully with the investigation, which covered activities between June 1989 and June 1991, and said it had taken steps to correct the problem.

For sales agents, churning is lucrative because they earn commission on each new policy they sell. However, for clients, because such commissions are deducted from the premiums paid in the initial years of a policy contract, cancellations before maturity often result in losses.

"Churning is found within the industry but it is difficult to spot and much more difficult to

prove," said Mr Michael Abrahams, head of compliance at Lauto, the self-regulatory body for the life assurance industry which conducted the investigation and imposed the fine.

In the case of Cannon, regulators were able to spot churning because one group of sales agents was said to have encouraged the clients of another group of Cannon sales agents to cancel their existing policies.

Mr McCormack said the matter had come to the attention of Cannon's senior management around the time of a Lauto review.

Lauto also found that Cannon had allowed individuals who had not yet been formally licensed to sell its policies and had failed to monitor properly the activities of its tied agents. Tied agents sell the products of one company exclusively but are not employed by it directly.

## Bush sets the stage for bitter series of debates

By Jurek Martin in Washington

PRESIDENT George Bush continued to impugn Governor Bill Clinton's patriotism yesterday, setting the stage for what could be an acrimonious confrontation as he tries to rescue his faltering re-election campaign in the first debate between presidential candidates in St Louis tomorrow night.

Mr Bush insisted in a morning television interview that he was only questioning his opponent's "judgment" in helping to organise demonstrations against the Vietnam war while a student at Oxford 23 years ago and in visiting the Soviet Union at the same time. But he then implied that such activities rendered suspect his opponent's fitness to be commander-in-chief.

"These attacks have brought a torrent of criticism of the president, not only from Mr Clinton and other Democrats but also from a broad spectrum of media commentators. Senator Bill Bradley of New Jersey, also a Rhodes Scholar at Oxford a few years before Mr Clinton, was by no means alone in accusing Mr Bush of practising the worst form of McCarthyism. The president said yesterday such "red baiting" charges were "ridiculous".

The question for Sunday night is whether Mr Bush, whose campaign has been digging into Mr Clinton's private life for months and who also has access to confidential intelligence files, will brandish some concrete information about the Democrat's doings a generation ago.

The president gave warning of his intent in an interview in which he said the rule of politics this year is "be ugly, be nasty, everything goes". This, in effect, concedes that he will lose the election if the remaining 24 days of the campaign remain focused on broad and bitter issues, such as the state of the economy.

If Mr Bush pulls a rabbit out of the hat, it will have to be a big one. Independent and party overnight "tracking" polls suggest that the more intense the negative attacks on Mr Clinton's character have become over the past 10 days, the greater his lead has grown. One such survey, published yesterday by USA Today/CNN, had him up by 16 points, with 50 per cent against 34 per cent for the president and 9 per cent for Mr Ross Perot, also present at the debate.

Mr Bush has brought on board some noted Republican "hard men", such as Mr Roger Ailes, the political consultant, to help him prepare for the debate. Mr Clinton, whose basic task is to talk about the economy, avoid any serious errors and look the part of a would-be president, has also recruited the Washington lawyer who "played" Mr Bush as part of Mr Michael Dukakis's training four years ago.

Opinion is divided on Mr Perot's presence, other than that he is definitely a loose cannon. If he joins Mr Clinton in ganging up on the president over the economy, Mr Bush may succeed in looking dignified. But if the president turns dirty, it is a fair bet Mr Perot will weigh in with a few choice observations of his own, such as the US courting of President Saddam Hussein of Iraq before the invasion of Kuwait.

But for Mr Bush, above all, this is make-or-break time. His best, probably only, hope is to breach Mr Clinton's defences on Sunday, have vice-president Dan Quayle follow up on Tuesday in his debate with Senator Al Gore, and ram home whatever advantage may have been won in the final two presidential debates.

## THE LEX COLUMN

### Indicators of doubt

It is a telling verdict on the chancellor's post-devaluation economic policy that yesterday's retail price figures leave the market as much in the dark as ever. At 4 per cent the underlying rate of inflation is only just within the target range, which arguably creates no room for a further interest rate cut. On the other hand, if Mr Lamont is in a cutting mood he could choose to concentrate on the Halifax index, which shows house prices falling "sharply" to use his own phrase. Then again, sterling's strength could be grounds for relaxation. It closed above DM2.51.

It is just possible that yesterday's £800m issue of short-dated gilts could prestage a base rate cut next week. Events have followed such a pattern before. But it is more likely that the authorities will wait until sterling has been stable for some time before rushing in. The new criteria for monetary policy would have scarcely any credibility if they were stretched to justify a rate cut so quickly after they had been announced. If the chancellor were that desperate, he would surely have found an excuse to cut before the Tory conference.

The equity market is thus probably right to have lowered its expectations. But while it wrestles with domestic imponderables, it should not ignore events overseas. D-Mark money rates may be softer, but there has been no US rate cut; the election is looming; and Wall Street is looking vulnerable.

### House prices

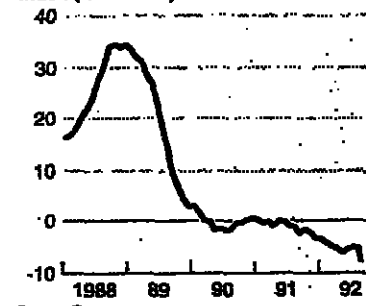
September's 3.1 per cent fall in house prices, as measured by the Halifax index, cut the wealth of UK homeowners by some £30bn. Prices are now 7.5 per cent below the level of a year ago, which is hardly the stuff of economic recovery. The re-imposition of stamp duty in August hardly provides a convenient excuse for September's figure. House prices also fell in the previous two months. While Black Wednesday's threat of 15 per cent base rates can hardly have helped sentiment, there are deeper forces at work.

Houses are no longer expensive when compared to earnings. Yet there is still an over-supply. About 70,000 repossessed properties are up for sale, and housebuilders have 40,000 unsold homes. On the demand side there is said to be a queue of first-time buyers, but they have absolutely no incentive to act before the market stabilises. Unemployment is still rising and earnings are only increasing slowly. Given

FT-SE Index: 2541.2 (+2.4)

### UK house prices

Annual % change in Halifax house price index (all houses)



Source: Nationwide

its fiscal constraints, the government can be of little practical help. Interest rate cuts only make mortgages more affordable. They do not address the supply-demand imbalance directly.

That puts housebuilders in a real bind. Many need to sell stock and free up cash, but in such a weak market that will mean further price cuts. Any who hoped that there would be no further decline in the value of their land banks may have to think again.

### Trafalgar House

If institutional shareholder soundings are right - and no one last night was claiming otherwise - Hongkong Land's tender offer for Trafalgar House has been something of a damp squib. The expectation in the market is that, combined with Land's existing 14.99 per cent stake, the Far Eastern raiders may end up with little more than 15 per cent when the result is formally announced on Monday morning.

It would be wrong, however, to see this as a ringing endorsement either of Trafalgar's existing management or their strategy. Long-term holders have suffered a series of disappointments in the past couple of years, but they appear to have taken the not unreasonable view that they would have been short-changed if they had sold out for 50p per share. Asset values are a highly unreliable guide in current markets, but there seems every chance that the events of the past few days can act as a catalyst for change.

It could be that the top team at Trafalgar has the last laugh by announcing a Hanson-style extension

of their contracts well into the next millennium. The issue, though, is more whether the reshuffle when it comes is cosmetic, or whether it will satisfy shareholders that the board has the vision to manage an international construction and engineering group with an increasing technological orientation. Investors will have to be patient but they cannot afford to be passive. At some point, for example, they may have to be prepared to support Land's nominations for directors.

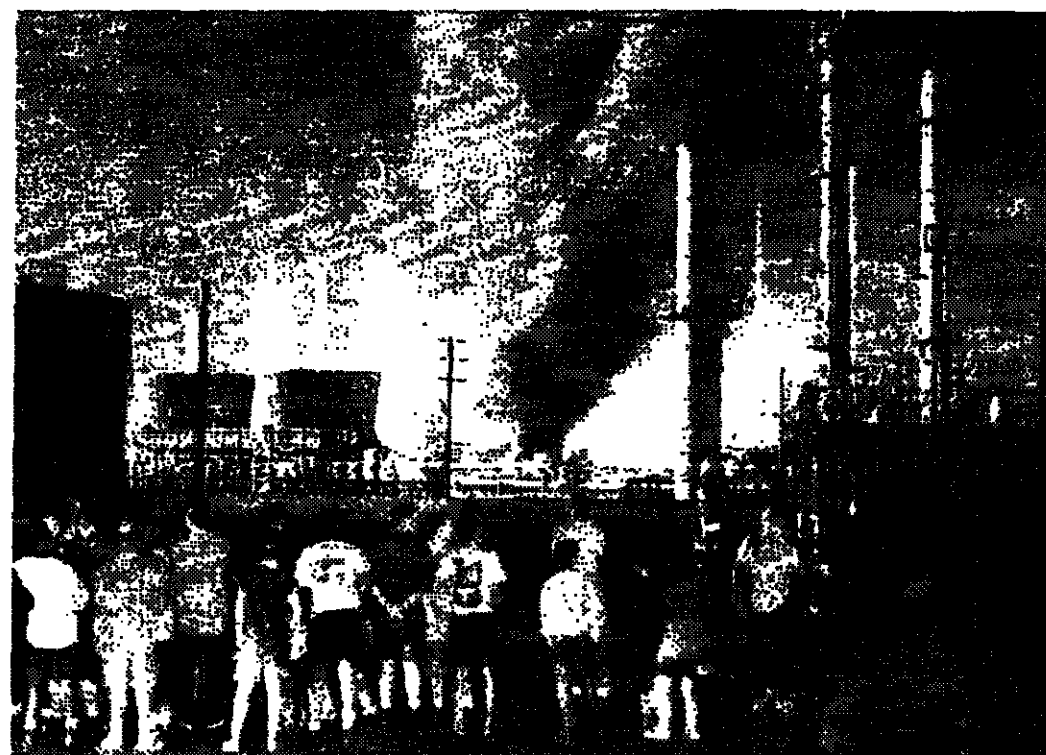
### Currencies

A sea change in sentiment seems to have swept through the foreign exchanges. The Federal Reserve's postponement of a rate cut and easier conditions in the German money market have sparked a dollar rally, easing pressure in the ERM. Perhaps the franc's survival should be no surprise, given there was little economic need for a devaluation. But lesser currencies are not out of the woods. The Irish punt and the Swedish krona have held up against the D-Mark, but that leaves them looking overvalued against their trading neighbours, Britain and Finland, which have both had substantial devaluations.

Besides it is open to question whether the dollar has finally turned. There is a risk of the market getting ahead of itself in the short term. The Bundesbank may be slow to ease further and the Fed may yet cut rates in the aftermath of the election. A Clinton victory might also provoke knee-jerk dollar sales. Then again, a loose Democrat fiscal policy might provoke the Fed to tighten later, producing a policy mix similar to the early Reagan years. However, comparisons with the economic growth and strong dollar of that time must be set against falling US asset prices and the \$4,000bn Federal debt.

### Standard Chartered

Standard Chartered's \$41m suit against Citibank in connection with its Indian troubles is a reminder that it has developed quite a penchant for litigation. It has already been awarded damages worth more than \$250m this year in suits against Price Waterhouse, Coopers & Lybrand and the Australian company, GPI Leisure. Perhaps investors should start rating the bank on the basis of its ability to plead in court, rather than its record for getting into scrapes in the first place.



Authorities evacuated a 2 sq mile area when an explosion at a huge Texaco refinery near Los Angeles released a potentially poisonous cloud of smoke on Thursday night. The blast, which resembled an earthquake, was felt 15 miles away while the fire could be seen for 20 miles.

## Checks on Boeing 747 engine links ordered by US authority

 By Paul Betts,  
 Aerospace Correspondent

INSPECTIONS were ordered yesterday on 700 Boeing 747 jumbo jets following the discovery of fatigue and corrosion cracks in engine fittings.

The airworthiness directive issued by the US Federal Aviation Authority orders operators of Boeing 747 aircraft powered by Pratt & Whitney or Rolls-Royce engines to check the fuse pins and lugs connecting the engines to the struts on the wings.

Boeing said the inspections could take place during routine maintenance and would not require taking the aircraft out of service. The FAA order does not apply to the 747s powered by General Electric CF6 engines, which number about 200.

Accident investigators are studying whether possible faults in the fuse pins or lugs could have contributed to the crash of the El Al 747 cargo aircraft in Amsterdam on Sunday.

But the FAA said in its airworthiness directive that there was no evidence that fuse pin cracking was responsible for either the Amsterdam disaster or the China Airlines accident in December.

In both cases, 747 jumbos powered by Pratt & Whitney engines crashed soon after take-off. The China Airlines jumbo lost two starboard engines but it is unclear whether the El Al aircraft lost two starboard engines.

The FAA first ordered checks on 747 engine mounts in 1986 after the report of a failure of a fuse pin. It also recommended the replacement, if necessary, of

older pins with a redesigned pin.

The regulatory authority issued a second directive in 1991 after a 2.55-inch crack was discovered in one of the redesigned pins. Since then it said it had received several reports of fatigue cracks at corrosion sites in the new pins on aircraft equipped with Pratt & Whitney or Rolls-Royce engines.

The FAA said a recent fuse pin inspection had revealed a crack in a midspan fitting lug, the fitting through which the pin penetrates. The cause of the cracking had not yet been discovered.

It warned that fatigue cracks in fuse pins or lugs could cause failure in the engine support structure if not repaired. It therefore ordered inspections of older pins within 30 days and further inspections every 500 landings.

## Inflation

Continued from Page 1

ing for at least another year. The disinflationary momentum of the economy was further highlighted by news that house prices fell on average by a record 3.1 per cent last month.

Halifax building society, which released the figures, said this was the third consecutive monthly drop and the biggest since it began publishing an index in 1983.

## Weak currencies end firmer

Continued from Page 1

on the week. The lira has firmed even more sharply, closing yesterday at L874.7, 12 per cent higher than its low point on Monday afternoon.

Bundesbank reductions in the key rate at which it lends money to commercial banks prompted dealers to believe that a cut in official rates is imminent, with some suggesting that it could come at next Thursday's Bundes-

bank council meeting. There have also been signs of a slowdown in the German economy.

The German central bank has been injecting liquidity into the German money market at a fixed rate of 8.9 per cent, 0.8 percentage points below the level at which it was operating a month ago. Technically, this would allow the Bundesbank to cut its emergency Lombard rate by ½ a point, without disrupting the structure of market rates.

### CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dms)				Rieser				Clyde Petrie							
Rieser				Ford	34 1/2	-	2 1/2	Dalton	695	+	55	Owens	278	+	7
Hochtil	985	+	30	Gen Motors	29	-	1	Koyo Iron	505	+	54	Owens Abroad	73	+	3 1/2
Lafite	388.5	+	14.5	USAR	11 1/2	-	1/2	Shi Nippon	1080	+	85	Patton Int	30	+	4
Philips Konsum	558	+	8	New York prices at 12.30pm				Tokai Sanko	670	+	80	Standard Chart	490	+	12
Luft				Pallas (PPVs)				Tokyo Sanyo	1080	+	93	Traco Corp	25	+	2
Adco	480	-	12	Promotes	558	+	28	Pallas				Pallas			
Daniel-Son	115.5	-	13	Fuchs				Dalton Motor	360	-	30	Harrison Cox	125	-	5
Hedebiz Zim	620	-	20	AGF	380	-	11.5	London (Pence)				Johnson Gp	120	-	14
New York (\$)				AOL	685			Rieser				Lamont Heds	238	-	2
IBM	55 1/2	-	1 1/2	Dalton	2970	-	130	Agos	20	+	2	Malibu Gp	8	-	5
AMR	33 1/2	-	2 1/4	Hachette	136	-	22.7	Andrew Sykes	130	+	5	Pross Int	430	-	17
Caspar's World	33 1/2	-	14	Schneider	507	-	21	BAA	721	+	17	Rugby	183	-	15
Chrysler	22	-	1/2	Tokyo (Yen)				Carlson (H)	50	+	5	Wynne	110	-	13

### World Weather

UK Today: Much of Britain will be dry, with some bright or sunny spells, although northern Scotland will be rather cloudy with light rain or drizzle at times. Eastern England will be windy and have scattered showers.

Temperatures at midday yesterday: 1 Noon GMT temperatures: C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny SI-Sleet SN-Snow T-Thunder

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# Weekend FT

SECTION II

Weekend October 10 / October 11 1992

## Old Rover learns new Japanese tricks

A GROUP of 40 workers at Rover's Longbridge car assembly plant has gathered appreciatively in a rest area. Their shop steward has called them to a meeting and his manner is unsmiling and full of importance. Behind him, several managers sit in an office, pretending not to be interested. The scene looks dreadfully familiar. Is this an issue that will be stirred up from resentment to anger and then to... "Down tools, lads and everybody out?"

This time, the managers are on the shop steward's side; or rather, the steward has become a ringmaster, enforcing discipline. Speaking slowly, savouring every syllable, the steward says they are here to discuss the smashing down of a door in the toilets the day before. "That is extremely dangerous; it is unacceptable behaviour. The trade union movement cannot condone it. Anyone who is caught doing it will be sacked and could even be taken to court and sued."

Any questions? There are few. Most of the men are relieved that it was not as serious as they feared. The meeting ends. The managers are pleased, and no wonder, they could have conveyed the message themselves, but with less effect.

In another part of the plant, the company is having difficulties on its Rover 200 production line. It is only the second day of production for the 1993 model and the two employees connecting a hose to the radiator are overstretching and sweating.

A year or two ago, the line would have stopped while management negotiated a solution with the trade unions. But now every worker knows that this line must keep moving, as the lines are even now moving in Japan, France, Belgium, Germany and elsewhere in the UK.

"You are not too loaded at the moment," a team leader says to a worker up the line. "Could you do it?" "No problem," he says with a speed that shows he does not even consider calling the shop steward.

"Don't you mind?" I ask him. "I could do without it but I wasn't exactly stretched before. It'll stop me getting bored." He goes on to explain how Rover is doing everything it can to compete with the Japanese; if that means he must become more flexible, like a Japanese worker, then so be it.

The two incidents are symbolic of an extraordinary change which has come about at Rover as it throws off old habits to meet the competition from the three Japanese companies with manufacturing plants in Britain: Nissan, Honda and Toyota.

The new spirit of co-operation between bosses and workers was given form in a Japanese-style New Deal, launched a year ago by the company and agreed with unions in April. Workers were given greater job security and improved conditions. Sick pay, for example, was improved to the level offered to white collar workers. The workers agreed to be more flexible and to give more commitment.

Ten to 15 years ago this plant was famous for industrial strife. Clashes between Michael Edwards, then chairman, and Derek "Red Robber" Robinson, the Longbridge union convenor, who was eventually sacked, were headline news week after week. In the worst year, 1977, 7 per cent of working days lost were lost through disputes.

Last year the equivalent figure was 0.0001 per cent.

Industrial discipline at Rover is benefitting from the employment legislation of the Thatcher years and from the recession which

the managers. At Rover, the days of the "men in grey suits" as managers are sometimes called in UK factories - are over.

If all this appears thoroughly Japanese, so does the enthusiasm of a surprisingly large number of workers. Everywhere I went in the Longbridge plants, I was accosted by people, particularly team leaders, who were evangelical in explaining the new Rover and their part in it.

Dave McDonald, a worker in the power train plant where engines and gear boxes are made, is typical. He became deeply disillusioned with the "terrible management" eight years ago and resigned as a union shop steward. Since then, he says, the management has become less confrontational and the atmosphere has been transformed. Three years ago he became a team leader, in charge of 10 people.

Ordinary line workers tend to be less gushing than team leaders, but their attitude is positive. "I think the management understand now

secure to the door as their first task was his invention. It stops water leaking to the bottom of the door and causing rust. Previously several pieces of sticky tape were used but fitting them took far longer.

The system was used on the Metro line but engineers had been unable to perfect it for the Mini. Phillips did so in his garage at home. The result is a saving of £100,000 a year to the company. Phillips was rewarded by Rover's suggestion scheme with a £5,000 payment, which he shared with his three colleagues.

At Rover, the cult of the team is paramount. Team leaders are a step above the ordinary line worker but, according to the company, definitely not "management marks." They monitor the quality and productivity of the group, and keep the team informed. Although elected by team members, potential leaders have to pass tests and to be approved by the company. Sometimes the elections are little more than a formality.

When Bob Edden became a team leader on the Rover 200 car production line he was one of seven who stood for election; there were six places available. It is not hard to see why the company wants him and people like him as leaders.

Edden, aged 39, left school at 15 and spent 20 years as a milk man. He is a neat and precise man who loves to work with his hands; for years that passion found expression in his hobbies of making model cars and Napoleonic figurines.

He considered going to work at Longbridge, but backed off, largely because of the company's industrial relations record. Two years ago he decided to apply and a year later he was a team leader. The energies he once put into model making are now diverted into car production.

"It is like a hobby," he says. Edden and others like him are the beneficiaries of team working. There are also potential losers, not least the trade unions. In the past, shop stewards were the main conduits for communication within the company; the team system threatens that role.

Neil McGreevy, plant convenor for the TGWU general workers' union, admits that the union fears that the team system will be used to marginalise the unions. "But team working is here whether we like it or not and our people will learn to live with it. I think it may even be a plus for the company."

The challenge for Rover is to persuade ordinary workers that they too have an interest in improving quality and in talking and feeling the same way as Brian Phillips.



**Michael Smith joined the production line at Longbridge, where the shop stewards act as management, managers dress like workers and workers imitate the Japanese**

makes men fear for their jobs. But there is more to the improvement than workers' fears and tougher laws.

Taking lessons from the Japanese and in particular from Honda, which has a 20 per cent stake in the company, Rover has made a big effort to involve its 34,000 workers more in their jobs and in the company, to increase their training, improve their work environment and to ask them what they think. Every manager uses the word "empowerment."

Anyone who visits Longbridge will see that the word is not empty one. The work areas are much cleaner than in a traditional British factory; any spilt grease and oil is cleaned up quickly. There is little surplus stock. Production lines are no longer just rows of people staffing machines; they are adorned by notice boards each with a series of charts telling groups of workers how well, or badly, they are doing.

Occasionally a group of 10 or 15 workers - now called "associates" - can be found huddled together discussing how to improve their own or the company's performance. Workers answer to a team leader whom they help to choose. He, or sometimes she, wears the same uniform as the line workers, and so do

that everyone on the shop floor is not a dummy," says Barry Millward, a Mini line worker. "Before, we came to work to do a job and that was it. Now we are asked to give more and we do."

When I watched him and his three colleagues fit the inside panel, the handles and the pocket on a Mini door, I could not see how their job had changed. For their £240 or so gross pay a week, they must not do dull and repetitive tasks. True, they start the day with a five-minute team briefing, but then it seems to be traditional line-fodder work. The four take one door each from every other car. Each group of tasks takes three minutes - at top speed the 360 metre line of 160 men works on 160 cars a day.

One change is that workers try harder to keep the line going. Brian Phillips, who has been at the company for 25 years, says that until a few years ago he and his colleagues would have said nothing if they were running out of, say, door handles. "It wasn't our job. If the line stopped it did not bother us. Now we know there is more at stake and, because we are more involved, we will tell the team leader."

By far the biggest change in the job results from Phillips' ingenuity. The plastic sheet which the men

Rover's programme of change has concentrated on the team leaders. Below them there is apathy and even hostility.

Dave has done the same job on the Mini production line for 12 years in spite of numerous applications to move. "I can do it with my eyes closed and it is very boring," he says. He sees no value in team briefing, doubts the company will keep its promise to avoid compulsory redundancies and pours scorn on the idea that all workers are improved equality. "It is still them and us as far as I am concerned."

"You have to put your hand up to go to the toilet these days. It's like being at school. In the old days, I admit, we did not work hard enough, but now it has gone too far the other way."

Peter, a 57-year-old worker in the paint shop with 33 years experience at Rover, applauds the management's emphasis on quality. But he is angry that he has to answer to team leaders who he considers inexperienced. "It is all the young ones who do not know what they are doing. And as for all that stuff they put on the notice boards, they must

be using forests of paper."

Neither Dave nor Peter wants to return to days of strikes and stoppages, but the agenda has changed. If Rover is to compete with the Japanese manufacturers in the UK it must do far more than prevent industrial action. To stand a chance of eroding the quality and productivity gap, it has to win the commitment of its workers. As one manager says: "We've come a long way and the atmosphere at Longbridge has been transformed. But really we have only just started."

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### The Long View/Barry Riley

## When inflation gatecrashes



INFLATION, they tell me, is yesterday's problem. It cannot possibly revive in today's slump-time economy. I hope they are right; but I have seen inflation reappear so often and so assertively as the answer, by default, to Britain's stubborn problems, that I will need a lot of convincing.

Inflation does not need an invitation or an encouragement. It has to be locked out firmly. No politician ever said in public that he or she wanted higher inflation or a devaluation of the pound. Nor were they ever forecast by the Treasury. A man from Mars might, therefore, be surprised that these burdens could ever be visited upon us (although Essex men would not).

Here is a quote: "To curb inflation remains our first priority." Who said it? It could have been the chancellor of the exchequer, Norman Lamont, at the Conservative Party conference on Thursday but, actually, it was Anthony Barber, then also chancellor, in the House of Commons on June 23 1972 - the day that sterling was allowed to dive down out of the European Community's original currency "snake." His next sentence gave the game away: "We have set our national economy on the path of a 5 per cent rate of expansion."

As he spoke, the year-on-year inflation rate was 6 per cent. For comparison, in the next three 12-month periods the rates were 9.7 per cent, 16.5 per cent and 26.1 per cent. Some priority. These days there are, of course, no fantasies about 5 per cent growth (although, in its more deranged moments, the Treasury projects 3.5 per cent). But might not plain economic recovery be a more powerful priority for politicians?

June 1972, when sterling was devalued by about 7 per cent, probably provides the closest historical parallel to September 1992 when the devaluation was rather larger. What Lamont actually said on Thursday was that his objective remained "to bring inflation down and hold it there."

Whatever one's scepticism, there are strong reasons for believing that the inflationary consequences will not be nearly as serious this time. Bill Martin, of UBS Phillips & Drew - whose economic forecasts have been much more accurate than most and who, as one of the Liverpool Six, both recommended and predicted sterling's exit from the ERM - sees inflation holding at 3 per cent through 1994. He admits, though, that there is still plenty of scope for things to go wrong.

But few, if any, of the leading economists ever predicted the scale of the inflationary surges of 1974, 1980 and 1990. There were always reasons - wage and price controls, or recession - for believing that the worst could never happen. Dare I add that many of the best economists are employed by bond-broking houses which have a strong commercial interest in playing down fears about inflation?

It is true that there is a deep recession now, but it has been going on for two years. During that period, unemployment has risen by 1.1m, real GDP has contracted by 3 per cent, and money GDP has risen by just 7 per cent. But average pay for those still in work has risen 14 per cent. When a labour market operates like that, it is hard to see that inflation can be regarded as dead, especially as the implied contraction in company profitability will have to be reversed as soon as better conditions return.

In the middle of September, the outside world decided that the British economy was worth about 15 per cent less than the British government claimed. Such a devaluation implies a fall in real incomes in Britain. We shall now see whether that will stick, or whether the average man will attempt to maintain his real standard of living.

ut foreign investors now will conclude once again that, whenever the going gets tough, the British government reneges on its obligations in real terms. Indeed, there is a practical penalty in that the prospects for the UK being able to borrow overseas through issues of sterling-denominated paper are now bleak.

Meanwhile, Lamont chooses to emphasise a minor recovery in consumer spending, and newspapers are exploring eagerly the possibility that lower interest rates will trigger a recovery in house prices. This does not yet feel like a post-inflationary society.

I close with another look back to that inflationary mid-summer 20 years ago. The FT's leader column of June 24 observed that the government's anti-inflation policy was unclear. "Unless it acts quickly and decisively in this field, the decision to float could turn out in the end to have done more harm than good." I feel much the same way.

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## MARKETS

## London Markets

## Do not buy a used forecast from this man

By Peter Martin, Financial Editor

"THE YEAR 2000 is less than 100 months away - or that, I am told, is the latest treasury forecast," said John Major yesterday.

He did well to display caution. In their present mood, most stock market dealers would require a personal letter of authentication from Pope Gregory before accepting such a treasury calculation.

Their misgivings about the treasury surfaced, in spectacular fashion, on Monday, when the FT-SE 100 index dropped 103 points, its worst one-day fall since the October 1987 crash. Then, London was reacting to Wall Street's desperate dive; this time, it was displaying its misgivings about UK government policy, and its worries about sharp falls in continental markets.

The two concerns were linked, in investors' minds at any rate. The tension between interest rates in Germany and the gathering recession both there and in much of the rest of Europe had led to the currency turmoil which ejected

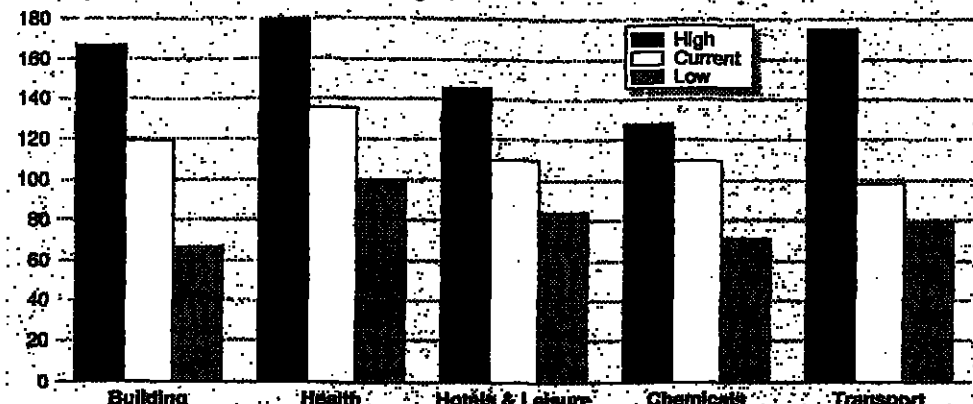
Britain from the ERM. Though in mid-September the stock market had welcomed that departure - because it appeared to free the UK from the deflationary cage into which ERM membership had locked - by last weekend investors had grown increasingly worried about the policy which would replace that cage.

As the pound continued to fall, the fear was that a government adrift had forfeited the opportunity to ease monetary policy significantly, and would instead find itself having to defend a sterling parity around DM 2.40 almost as fiercely as it had defended DM 2.95. That would rule out the possibility of further interest rate cuts.

By the end of the week, much of this gloom had lifted. The FT-SE 100 index, which closed on Monday at 2446.3, had recouped almost all those losses by the end of the week, closing on Friday at 2,541.2. The credit for this improvement was popularly given to the Chancellor, who addressed the Conservative party conference

## Sector valuations in perspective

Current p/e ratios compared with post 1985 highs and lows



Source: SG Warburg

ence on Thursday.

In fact, however, the lion's share of the credit should go to the Chancellor's old foe, the German Bundesbank. It became clear in the course of the week that the Bundesbank's easing of monetary policy had been more substantial than the grudging quarter-point cut in the Lombard rate extorted from it on the week-end of Italy's devaluation in early September.

On Friday, Oskar Issing, the Bundesbank's chief economist, said that German money supply growth could slow after November because of the economic slowdown. In the past, the Bundesbank has usually cut rates rapidly once it has decided that inflationary dangers have passed; if this comment is preparing the ground for that shift, the markets have reason to rejoice.

Spurred on by these thoughts, sterling recovered,

and so did the stock market. The pound's low point on Monday was just under DM 2.37; by Friday afternoon it was trading at over DM 2.51.

It was just as well that the Bundesbank had come to Norman Lamont's rescue, for he did little to help his own cause. In a speech that the charitable described as lack-lustre, he was unable to give his new policy much backbone. A written statement went little further, though it did indicate a significant, formal, retreat from John Major's earlier policy of aiming for zero inflation.

The new range for "underlying inflation" (excluding mortgage interest) is to be 0 to 4 per cent, initially in the upper end of the band, later at the level - presumably 2 per cent - achieved by Britain's industrial competitors. On Friday, by happy coincidence, the underlying measure fell to 4 per cent, at the top of the Chancellor's new band.

Individual sectors of the stock market have reflected the swings of optimism and pessimism about the future course of interest rates. Industries sensitive to interest rates, such as banks and insurance companies, benefited most from the escape from the ERM, then retraced some ground.

The chart shows a Warburg calculation of the price-earnings ratios of five sectors in relation to their recent historic highs and lows. Some traditional cyclical stocks such as builders or chemicals are priced well above their lows. Some of the stocks which rely on consumer confidence, badly dented by the currency turmoil of September and the recent wave of redundancies, are doing less well: hotels and leisure are closer to the bottom of

their recent range, in p/e terms, as are transport stocks. One of the traditional defensive sectors, health and household stocks, is in the middle of its historic range, after the shares' relative under-performance earlier this year.

Another defensive stock - Ranks Hovis McDougall, the baker - found itself under attack on Monday, as Hanson made a £780m hostile takeover bid, offering 220p a share in cash. After rejecting the bid on the grounds that it lacked commercial logic, and was anyway too cheap, RHM's chairman held "useful" talks with Lord Hanson. The share price, which rose 66p on Monday, to 241p, subsequently went nowhere, closing the week at 242p. In 1988 RHM fought off a bid offering 465p. Investors could be forgiven for putting RHM's arithmetical ability in the same class as that of the treasury.

Another sufferer from arithmetical misfortune was Hongkong Land, which has been bidding to take its 15 per cent stake in Trafalgar House to just under 30 per cent. Its aim is to muscle its way on to the board, then pressure the company's management to find some way of unlocking the value of its businesses.

Alas, so convincing did it make its overture sound that institutional investors decided to stay along for the ride, preferring to hold on to their shares and holding down the likely Hongkong Land stake to under 30 per cent. Whether that is enough to give the Keswicks - who run Hongkong Land and its sister company Jardine Matheson - the opportunity to change things at Trafalgar House remains to be seen.

## Serious Money

## Financial services in the jungle

By Scheherazade Daneshkhu

A JUNGLE of wild beasts and tangled growth: this is not the Amazon or even your neighbour's back garden but the financial services sector according to a survey published this week by Mintel, the market research group.

The paper, entitled *Customer Service in Personal Finance*, used the analogy to describe the development of the financial services industry. Banks and building societies, for example, are expanding into non-traditional areas, sometimes in a manner detrimental to the core service they are meant to provide. Nowadays, few banks and building societies are there simply to give you an account for your savings or a loan to buy a house.

Instead, they have become tied agents for insurance companies and the commission earned from the sale of insurance and pensions is becoming an increasingly important part of their business. Last year, for example, Nationwide earned £125.5m in commission from the sale of products such as endowment mortgages, house contents insurance and pensions.

These products are enthusiastically promoted. Most people will have received plenty of junk mail from their bank or building society advertising a new health insurance product or a pension. Some, such as Midland, invite their wealthier customers to see the bank's financial adviser.

Yet the banks and building societies apparently find it too expensive to write to their customers to let them know of a new account when it replaces the one they are in.

While banks spend more of their time behaving like investment product salesmen, investment houses are behaving more like banks in one area. But they are at least making things simpler for the customer rather than selling a

more elaborate product. This week, Fidelity Investments has made changes to its cash fund which will make it very similar to a high interest savings account. Even the popular name under which it is being marketed - Easy Access Cash Account - is indistinguishable from those of a bank or building society savings account.

But the account offers taxpayers a significantly higher interest rate than is available on most instant-access accounts because it is invested in money-market instruments - short-term deposits of large banks. Money market rates change daily but are usually around those of base rates, now 9 per cent. Yesterday, for

example, the fund was paying 9.3 per cent gross on £1,000, which is 1 to 2 points higher than what is on offer from most deposit takers.

The change that Fidelity has introduced is to seek approval from the regulatory authorities to release the price of units in the fund to £1, with the unit price remaining a stable £1. This is made possible because there is no bid-offer spread on a cash trust - just one price for the units.

So, instead of the investor having to work out what his units are worth, Fidelity will add income in units of £1 every month. Income will still accumulate on a daily basis but in a separate account.

The change will make it easily apparent to investors how much they have in their account. If you hold 8,514.6 units, you know that you have

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However, there is no facility for standing orders or direct debits. This, taken with the chequebook restrictions means it cannot be a substitute for a current account but it is a highly attractive alternative to a building society high interest account.

Non-taxpayers may, nonetheless, find it easier to stick with their bank or building society. These accounts have the advantage over cash unit trusts of paying income gross without the need to reclaim tax. Cash unit trusts may not pay income gross, although the investor can reclaim tax in the usual manner.

The cash fund is covered by the Investors' Compensation Scheme, under which the first £20,000 of an investment can be refunded, followed by 90 per cent of the next £20,000. This is better than building society compensation which is limited to 90 per cent of the first £20,000.

Simplifying the fund's pricing will make it more accessible and that must be welcome in the tangled growth of the financial services jungle.

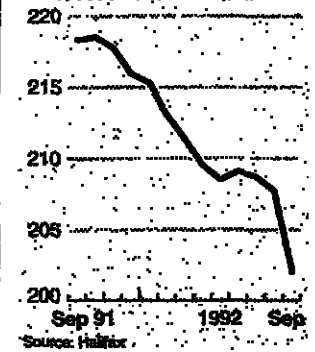
## HIGHLIGHTS OF THE WEEK

	Price	Change	1992	1992	
	£/share	on week	High	Low	
FT-SE 100 Index	2541.2	-8.5	2737.8	2281.0	Economic concerns
ASDA	38	+3	42	22½	Improved trading / upgrades
Babcock Int'l	34½	-8½	70	31½	Downgrading
Eurotunnel Uts	361	-59	488	293	Delay in tunnel opening
Isotack Johnson	45	-6	96	37	Poor int figs / div chopped
Lonrho	62	-6	180	57	BZW downgrading
Lucas Inds	90	+3	153	77	Bid speculation
Owners Abroad	73	+3½	123	44½	Bid rumours
RMC	386	-36	869	384	"Heavy" building stocks hit
Refuge	680xd	-7½	729	584	Refuge Canada sells 10% stake
Shell Transport	519	-25½	551	435	County NatWest "sell"
Standard Chartered	493	+65	518	384	Takeover speculation / BZW upgrade
Tesco	228xd	+8	296	194½	Switching from Sainsbury
Unilever	1025	-52	1082	866	Switching to Dutch NV shares
Wellcome	972	+35	1174	777	FDA drug approval

## AT A GLANCE

## UK house price index

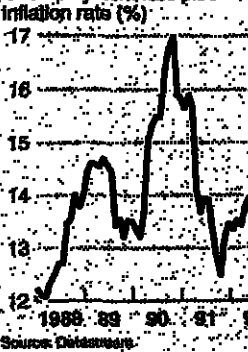
All houses 1985 = 100, sa.



Source: Halifax

## The 'Misery Index'

Unemployment rate plus inflation rate (%)



Source: Datastream

## House prices still slipping

Homeowners will not be cheered by the news that house prices fell by 3.1 per cent last month, according to the Halifax price index. This is more than twice as large as the previous fall of 1.3 per cent in December 1991. The graph shows a steady 7.4 per cent fall in the index over the year to September. Details: Page 7, Section One

## Up and down the Misery Index

The 'Misery Index', which adds the unemployment rate, expressed in percentage terms, to the rate of inflation, fell last year because of the drop in inflation from 9 per cent in January to 4.5 per cent in December 1991. It has been on the increase this year because of a steady rise in unemployment, from 9.2 per cent in January to 9.9 per cent in August. However, falls in inflation since May have helped to keep it down in recent months.

## Halifax launches new account

Halifax Building Society is launching a new investment account, Premium Xtra, on Tuesday, offering better returns on deposits of £10,000 and upwards combined with a reasonable degree of access: the right of one withdrawal of up to £5000 each month, provided that at least £10,000 is left in the account. Premium Xtra pays 8.80 per cent gross (8.6 per cent net) on £10,000, rising by stages to 9.80 per cent gross (9.6 per cent net) on balances of £100,000 and more.

## Lloyds offers accident cover

Accident Insurance is being launched by Lloyds bank to provide a lump sum for injury, disability or death. The policy will also pay out for loss of a limb or loss of sight or hearing. Premiums are between £5.95 to £2.25 a month. The two levels of cover provide a lump sum disability payment of £60,000 or £100,000. Insurers adapt to different lives, Page VI

## GT cuts Pep charges

GT Management is relaunching its unit trust Pep and reducing the initial charge from 5.25 per cent to 4 per cent. The Pep is available on a number of funds with the annual charge at between 1 to 1.5 per cent depending on the fund.

## Guaranteed rate from Woolwich

Woolwich is promising to guarantee the interest rate - for just under three months - on its Premium Investment Plus. The one year term account guarantees to pay a minimum of 5 per cent above the ordinary share rate. The rates are 9.75 per cent gross on a minimum balance of £10,000; 10.2 per cent gross on £25,000 and 10.5 per cent on £50,000 or more. These will be held until January 1993. Woolwich this week increased the interest rate on deposits of £1 to £499 on its Prime Gold account from 2.35 per cent gross to 3.5 per cent gross.

## Abbey ups insurance costs

Home contents insurance at Abbey National rose by an average of 10 per cent this week. The increase on renewals for existing customers will take effect in December.

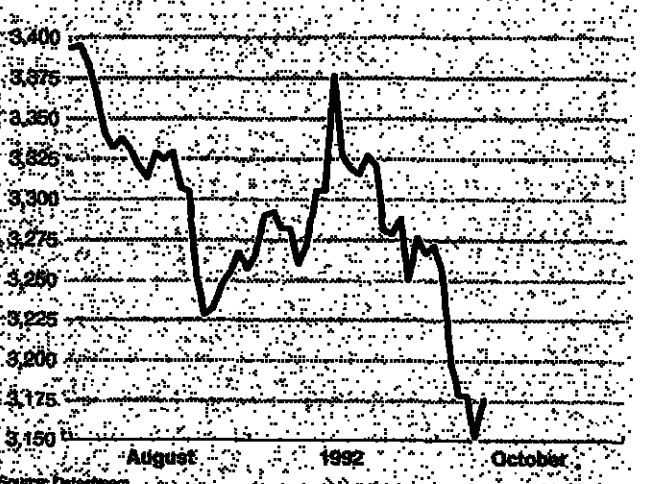
## Smaller companies slide

Smaller companies continued to slide this week. The Hoare Govett Smaller Companies Index (capital gains version) fell by 0.8 per cent to 1059.73 over the seven days to Thursday, October 8 while the County NatWest Index fell by 1 per cent to 820.77 over the eight days to October 8.

## Wall Street

## The stock price fall may prove justified

## Dow Jones Industrial Index



Source: Datastream

under 3,100 on the Dow could turn out to be an important new floor for the market. While few suggest stocks are poised for some substantial gains, even less think there is a need for further selling.

With next important economic data some weeks away, and the outcome of the election outcome seeming more certain every day, investors will be switching

during the Spring, may need revising. As David Shulman, senior equity strategist at Salomon Brothers, said a few days ago: "It's back to the drawing board for earning forecasts this year and next."

Motor industry analysts are probably scribbling furiously at their drawing boards at this very moment, hastily revising their estimates for Ford, the car maker. In a recent filing with the Securities and Exchange Commission made for the company's planned sale of £1bn of preferred stock, Ford disclosed that it expects to report a loss for the just-completed third quarter, and that because of economic uncertainty in Europe and the continued weakness in domestic markets, the red ink could spread into the fourth quarter's books.

Although Ford also made positive noises about 1993 earnings, the market did not like what it heard, and yesterday Ford shares dropped more than \$3 to \$34½ in the first few hours of trading as investors factored the new development into the company's stock price.

Borland International was

another company that faced the wrath of disappointed investors this week. The software group's shares fell 25 per cent in two days after several analysts followed each other in downgrading the stock because of what they believed were poor initial sales of Borland's important new spreadsheet product, Quattro Pro for Windows.

Borland's share price, however, regained some of that lost ground after the company said early sales of Quattro Pro were better than expected, and protested strongly that analysts were passing judgment on the product too early to draw any meaningful conclusions.

In a neat turn of phrase that will probably become popular with many other companies who feel victimised by Wall Street, Borland claimed yesterday it had been a victim of "pack analysis."

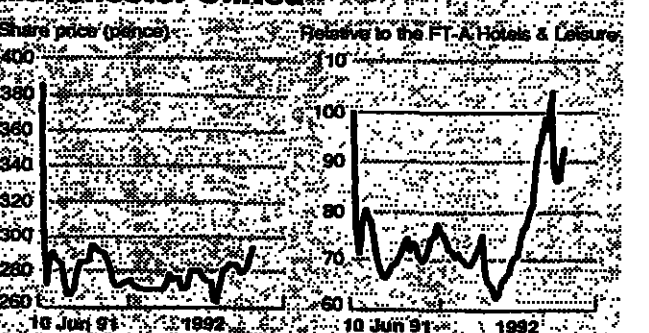
## Patrick Harverson

Monday	3178.00	-21.61
Tuesday	3178.15	-0.81
Wednesday	3178.25	-25.84
Thursday	3178.03	-22.78
Friday		

## The Bottom Line

## United score on the rebound

## Manchester United



Source: Datastream

is sustained, it will mark a breakthrough for football clubs on the stock market. Manchester United has joined anything but elite band of quoted football clubs. The other two are Tottenham Hotspur, which had its shares suspended for 14 months until

over United's flotation, the north London club's return to financial soundness has helped to improve sentiment towards football.

And while Millwall's case looks dire - it lost money again last year - it is more than 80 per cent of the way towards securing £15m to build a new stadium. Like Tottenham, which diversified disastrously into clothing, it has returned to its core by selling Tavern Leisure.

This confirms the trend towards football clubs making a commercial virtue of their sport. According to the IOC business ratio report on football - used by United to point up its market leadership - an elite group enjoyed a healthy trading profit margin of more than 10 per cent in 1990-91.

Another reassuring move by United was to publish an independent £24m valuation of its

players, carried out by accountants Touche Ross. Although this will not go on the balance sheet, Robin Lander, finance director, pointed out that it was worth nearly 200p a share, on top of the 344p of conventional net asset backing.

For football fans wishing to invest in their hobby, Manchester United at 293p offers an 8.2 per cent dividend yield, with growth prospects underpinned by a forecast increase in earnings of about 10 per cent. At 85p, Tottenham is trading on a much lower historic price-earnings ratio of 4.2, compared with United's 10.8, but has yet to resume dividend payments.

Millwall's shares obviously represent a much higher risk. However, as with a handful of clubs that have bond schemes, discounts on seats can be obtained by paying £250 for a Lions Card.

In most cases, fans can now get a return on a financial investment in their club, either through a dividend or through discounts - in addition, of course, to the emotional bonds.

Jane Fuller



## FINANCE AND THE FAMILY

# Fixing your mortgage rate

David Barchard and Scheherazade Daneshkhu on avoiding some of the pitfalls

The property market recovery is still some way off but many first time buyers are now starting to wonder whether the time is right to buy a house. Interest rates have come down, albeit in yo-yo fashion, from 15 per cent three years ago to 9 per cent today and house prices fell by an alarming 3.1 per cent last month, according to the Halifax building society.

Downward pressure on interest rates continues but the fall in the value of sterling means that a rise in base rates, if only for a short time, cannot be ruled out. Deciding between fixed, capped and variable mortgages is one problem. Where to go for your mortgage is another. And, if you already have a mortgage, is it worth switching between a fixed rate and variable mortgage, or moving to another lender?

**L**ENDERS HAVE had a difficult time in the last three years. Now they are trying to pull in business with bargain basement rates for first time buyers but customers should beware: miscellaneous fees and charges can make a nasty dent. These include early redemption penalties - the fee for early repayment of the loan, usually expressed as several months' interest payments. There may also be a sealing fee, called a sealing fee, when you pay off your loan.

Look out too for product fees. First-time buyers, for example, will usually find that their discount is conditional on taking out insurance-related products, which bring the lender commission from the insurance companies, and which you are likely to find more cheaply elsewhere.

Ask yourself how well lenders treat existing borrowers. Lenders want to attract new customers and are much slower to pass on the benefit of interest rate cuts to existing borrowers. Some building societies, for example, Bristol & West, are not reducing their rates to existing customers until December.

For this reason, many people may find appeal in the security of a fixed-rate mortgage. The drawback with these (apart from an interest rate fall), are the fees. Also, they are rarely available on a repayment mortgage. The rate is usually fixed for a relatively short period so borrowers should make sure that the lender offers a competitive variable rate mortgage.

Cheltenham & Gloucester is offering one of the best fixed-rate mortgages on the market. Fixed at 8.25 per cent for two years, the arrangement fee is a

relatively sober £100 and it is available on all mortgages but the redemption penalty is three months' interest. The rate compares favourably with current variable rates of around 9.99 per cent. C&G's own variable rate is 8.75 per cent.

**■ TO FIX OR NOT TO FIX?** The government's short-lived attempt on Black Wednesday at putting base rates up to 15 per cent, in spite of the recession's depth, shows how the impossible can happen. Many city analysts expect rates to fall but pressure on sterling and the absence of a clear economic policy mean there is the risk of a yo-yo route to lower interest rates again.

For this reason, many people may find appeal in the security of a fixed-rate mortgage. The drawback with these (apart from an interest rate fall), are the fees. Also, they are rarely available on a repayment mortgage. The rate is usually fixed for a relatively short period so borrowers should make sure that the lender offers a competitive variable rate mortgage.

Cheltenham & Gloucester is offering one of the best fixed-rate mortgages on the market. Fixed at 8.25 per cent for two years, the arrangement fee is a

year fixed rates for endowment and pension mortgages at 9.49 per cent and its existing variable rate customers can switch into the fixed rate. There are two strings: a fee of £195 and an obligation to arrange any new endowment insurance through Midland Life.

If you think that interest rates will fall two or three percentage points further, but do not feel confident to rule out base rate increases, capped products - mortgages which have a fixed ceiling to their interest rates but which can fall below it in line with the market - can be a compromise.

For example, Stroud & Swindon Building Society has launched a limited issue fixed rate mortgage which offers a fixed rate at 8.25 per cent for the first six months and a capped rate for the next 13 months of the mortgage term. This is an interest-only mortgage: there is no need to assign life policies to the society. But there is an application fee of £150 and the mortgage is tied to the sale of building insurance cover from the society.

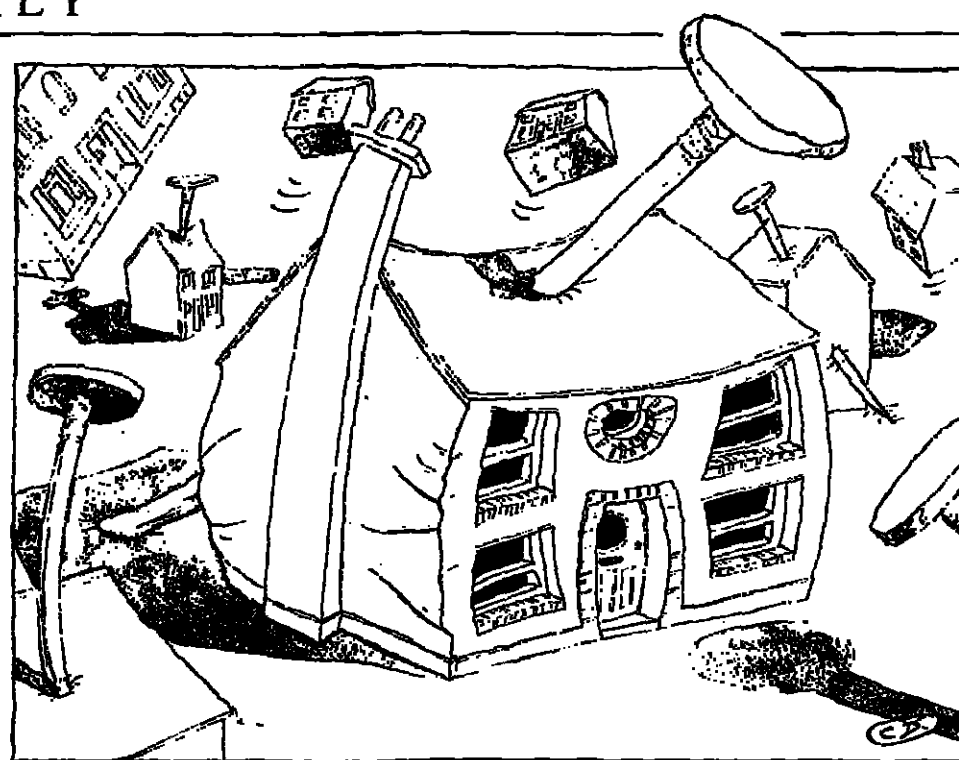
**■ DO YOU ALREADY HAVE A MORTGAGE?** Few lenders offer fixed-interest mortgages targeted at their

existing borrowers - these appear at times when lenders want to avoid having existing customers poached - but, if you are an existing borrower with a loan from Bristol & West, the tenth largest building society, you can take advantage of its "Cascade" mortgage, to reduce your payments by 3 per cent to 7.99 per cent over 15 months.

It is worth noting, however, that Bristol & West has one of the highest standard mortgage rates of any large society - 10.24 per cent. There is an administration fee of £195 and an early redemption penalty of interest to the end of the month plus three months' interest.

If you are stuck in an unsatisfactory mortgage, think hard before converting. The costs of arranging a new mortgage, even with the same lender can outweigh the potential savings. Mark Bolland of fee-based advisers Chamberlain de Broe says, "It is highly unlikely that it will be in most people's interest to convert."

He gives the example of someone stuck with a fixed rate mortgage of 10.5 per cent until the end of 1993 - another 15 months. If their loan is £100,000, the net monthly



payments would be £809.38 on an interest-only loan. The payments on a variable rate mortgage of 9.75 per cent would be £751.56 - a difference of £57.82 per month and, therefore, a saving of £693.73 over the same period, assuming the variable rate did not change.

But to get out of the fixed rate mortgage, you will have to pay a penalty, usually three months' gross interest, in this case, £2,625. Add to this a conversion charge of perhaps £250 and you will have paid

£2,875 in order to make a "saving" of £693.73.

Even if you wanted to swap your fixed rate of 10.5 per cent for a fixed rate of 8.5 per cent over the same period, you would lose out. The new monthly interest payment would be £655.21 against £809.38 - a saving of £154.17.

Transferring to a new lender would be even more expensive since it means facing the full costs of re-mortgaging.

**■ DO YOU NEED A BROKER?** If you know what you want, you can go straight to the bank

or building society of your choice. But mortgage brokers can come in useful if your needs are more complicated because of their knowledge of the market and contacts. But beware whom you go to.

You should make sure that the broker you select is not going to sell you an insurance product. That means paying a fee to the broker, likely to be equivalent to around 0.5 per cent of the mortgage loan. A good broker will not only scan the market but should offer views on lenders.

## Directors' transactions

### Mulcahy's £1m

ONE TRANSACTION stands out above all others this week. Geoffrey Mulcahy, the chairman and chief executive of the stores group Kingfisher, exercised an option of 374,475 shares and sold the resulting holding. In the process, he made a gross profit of just over £1m by taking advantage of a sharp rise in the share price following sterling's devaluation.

Three directors in CRT Group, formerly Smallshaw Knitwear, have been selling stock just below a pound. Now quoted under business services and operating in consultancy and recruitment services, the

company's earnings record has proved more consistent in recent times.

All three of the directors selling shares retain close to 500,000 each.

Evidence of further support for the media group WPP will cheer those who see the stock as a classic recovery play. Martin Sorrell, the chief executive, has bought a further 100,000 shares at 34.5p, having purchased 100,000 at 38p in mid-August.

Earlier this summer, the company completed a complex capital restructuring.

Angus MacDonald  
Directors Ltd

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
<b>SALES</b>				
Astec (BSR)	Elec	100,000	27	1
Bradford Property	Prop	25,000	34	1
Bradstock	InsB	118,000	131	2
CRT	BusS	118,000	115	3
Haggas	Text	12,500	14	1
Kingfisher	Stor	374,475	2,080	1
Portals	PP&P	3,500	14	1
Sainsbury (J)	FdRe	14,817	68	4
Telematrix	Elec	125,300	12	1
Tennix	Chm	28,542	72	1
Unilever	FM&C	1,780	19	2
Willis Corroon	InsB	6,676	14	1
Wolpdon & Dudley	Brew	2,000	11	1
Yule Catto	Chem	15,000	35	1
<b>PURCHASES</b>				
Antigast	Mine	4,800	30	1
Apollo Metals	MetF	31,500	29	2
British Fittings	BdMt	32,500	19	4
Chubb Securities	Sec	10,000	20	1
Electric & General	InvT	50,000	64	1
Hillsdown Holding	FdMa	35,000	31	1
Mucklow	Prop	30,000	34	1
Protean	EngG	50,000	57	1
Quillgott	BdMt	750,000	26	1
Rutland Trust	OnF	500,000	40	2
Tarmac	BdMt	20,000	14	1
Wembley	Hotl	50,000	11	1
WPP	Medi	100,000	35	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (†) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 28-29 October 1992.

Source: Directors Ltd, Edinburgh

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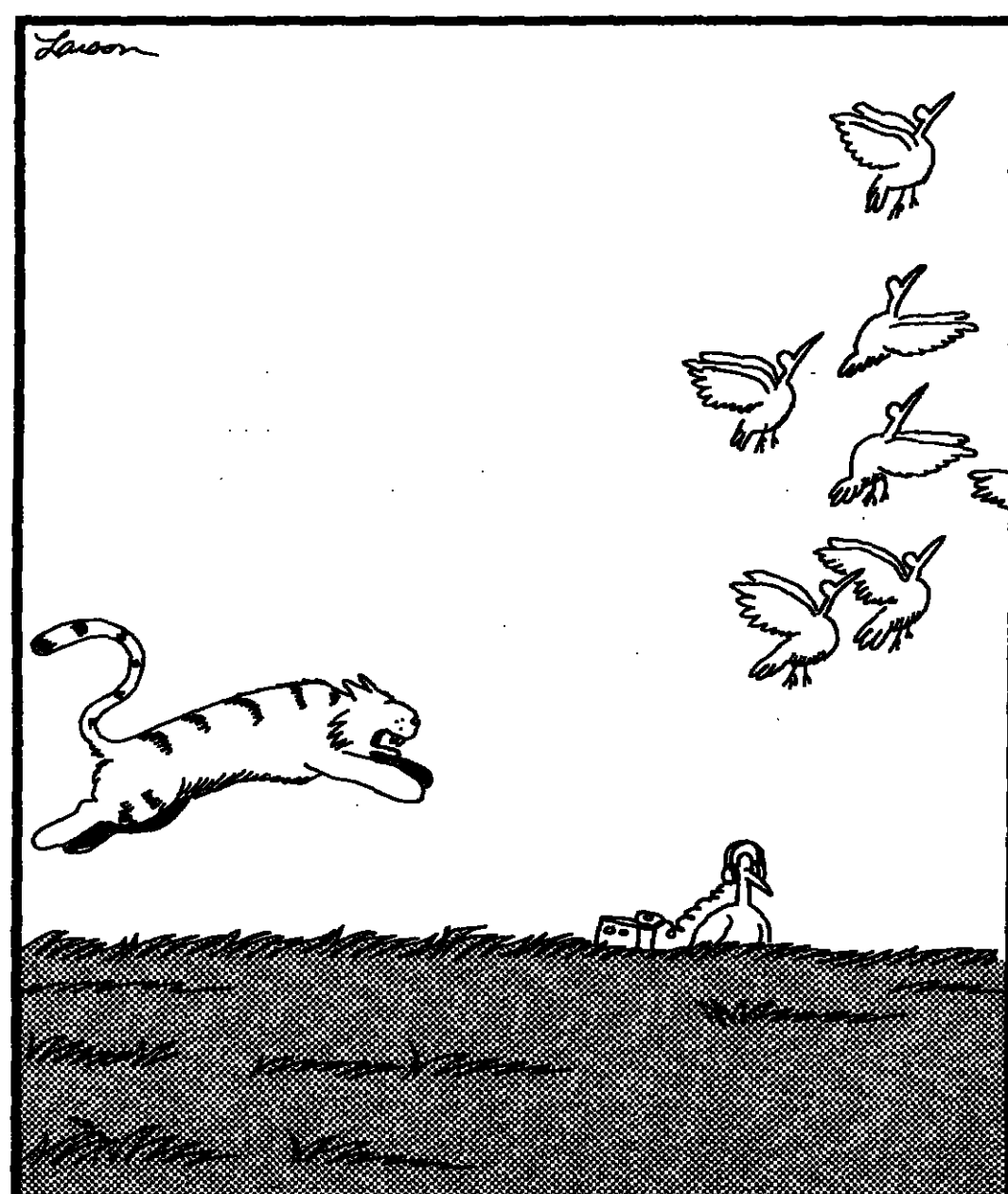
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Date of birth (essential for under 7s)

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Signature

Date

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## FINANCE AND THE FAMILY

## Investment cap spurs trust launch

Frustrated Foreign &amp; Colonial acts over chancellor's refusal to change rules on international funds

THE PERSONAL equity plan rules which place a £1,500 limit on worldwide investment and unit trusts have always seemed silly – and even more so since the last Budget when Norman Lamont, the chancellor, raised the annual limit on unit and investment trust holdings from £3,000 to the full £5,000 allowance for a general PEP.

But he did not abolish the £1,500 restriction, with the result that Foreign & Colonial's international general investment trust – the UK's largest, with total assets of more than £1bn and strong performance – remained limited to the £1,500 cap on funds with more than 50 per cent of their equity holdings outside the UK and Europe.

Rather than tinker with the international trust, or wait any longer in the hope of a change to the rules, Foreign & Colonial launched a new trust this week, the PEP investment trust (Pept).

Foreign & Colonial has eschewed the recent trend of choosing a split capital structure. Instead, the trust has a simple capital structure, with investors being offered ordinary shares at 100p during the offer period which closes on October 23.

The initial charge will be 2.5 per cent, which compares favourably with

M&G's Recovery and Income investment trusts, launched within the past 13 months, which are more than 5 per cent. The annual management charge is 0.4 per cent.

Pept will invest initially in a spread of 50-55 companies, with three-quarters of the portfolio held in FT-SE 100 stocks. There will be around 10 holdings in Europe in large companies such as Bayer, the German chemicals company, Siemens, the German computer group, and L'Oréal, the cosmetics company. The rest of the portfolio will be invested in non-FTSE stock such as Emap, the media group, and some of the smaller water companies.

Foreign & Colonial is hoping that nervous investors will be reassured by the dominance of FT-SE 100 stock. "Companies of this stature are, in general, of the size and strength to withstand the current difficult economic situation," says F&C's Jeremy Tighe. But the 103-point drop in the FTSE index on Monday will have done little to entice those with worries about the market's volatility. The uncertain economic climate caused two investment trust launches – from Touche Renmant and Schroder Investment Management – to be postponed this week.

Tighe, however, sees the weak market as the time to invest. "The present

turbulent conditions offer some excellent buying opportunities and value on a long-term view – and, indeed, Foreign & Colonial's performance is based on our philosophy of buying steadily and cautiously into value into precisely such conditions."

The main attraction for most private clients is being able to put the full £5,000 into a broadly spread Foreign & Colonial investment trust. Only two of F&C's eight investment

they will. The charges for Pept follow the same flat fee structure as for the existing plan. These are an initial fee of £50 plus VAT – waived during the offer period – and £5 plus VAT per month for administration.

If you invest only £2,000, the annual flat fee works out at an expensive 3.5 per cent. But the advantage of a flat fee over a percentage is that the proportion of your investment deducted in charges falls as you put in more money.

So, should investors who do not have a general PEP for this year choose Pept?

Like other equity-based investment, those wanting returns should view the trust as a long-term commitment. On that basis, Peter Walls, investment trust analyst at Credit Lyonnais, is enthusiastic. "This is the ideal product for private investors coming from a blue chip management group that has clearly demonstrated its ability in the investment trust sector. It is the sort of expansion of the sector that I welcome."

Those seeking a high income may be disappointed, though. F&C says Pept will be balanced between capital growth and income and the estimated yield, at 4.5 per cent, is below the present market average of around 5 per cent. But Walls points out that, in the present climate of dividend cuts,

high income trusts are having to sacrifice capital growth and performance in order to pay out income.

Investors in Pept can choose to have income reinvested or to take the income twice a year tax free.

Should investors subscribe to the trust during the offer period? The conventional problem for a company launching an investment trust is that shares in them often trade at a discount. F&C says it expects Pept to trade at a premium after the offer period because of high demand, but it has an interest in persuading people to invest now.

Walls agrees that there should be a high level of demand for the trust because of a shortage of high-quality, broad-based investment trust Peps. He expects it to trade at or near its net asset value and, therefore, favours investors in a private investment trust avoid paying 0.5 per cent stamp duty and broker's commission, as well as taking advantage of the initial PEP charge waiver.

Some investors may wish to wait to see how the fund performs. Although F&C has proved itself as an international fund manager – with growth of 218 per cent in its international general trust in the seven years to October 1 according to Finstat – the UK is a relatively unproven area for F&C's fund managers.

## Company aims to reassure investors, says Scheherazade Daneshkhu

trusts – the German and the European – qualified for the full allowance. But these are specialised markets unlikely to appeal to most private investors.

When F&C introduced its PEP last year, investors in the international trust could place only the £1,500. F&C put the remaining £3,500 into a blue chip portfolio of five UK shares: BT, BTR, BAT, Lloyds Bank and Shell. These investors are being invited by F&C to transfer their PEP into Pept, and more than 40 per cent have said

THERE was good news this week for those Lloyd's Names facing difficulties because of the market's record losses. Lloyd's announced changes to its "hardship arrangements" which lighten the burden of Names unable to meet their obligations. The changes remove the prospect of lifelong indebtedness.

According to Dr Mary Archer, chairman of the members' hardship committee, they will make hardship a more attractive prospect than bankruptcy, the alternative course for Names in trouble.

Up to now, Names benefiting from hardship relief signed an agreement with Lloyd's whereby it would take a charge on their income and their assets for life, or until their debt was repaid. The Name typically would be allowed to retain an annual income of £15,000 and a modest house valued at around £150,000.

Where Names depend on

## Better news at Lloyd's

investment income, Lloyd's converts assets into a hardship deposit trust fund, earmarking an annual amount to Names – again, typically around £15,000.

Under the new arrangements, Names would still need to sell most of their assets to meet their loss, and may have to move to a cheaper home. But Names in hardship would benefit in a number of ways. Hardship would cease at the end of three years leaving Lloyd's with the charge on the Name's property, as well as any proceeds from Lloyd's-related litigation and tax recoveries.

Names would then be free to build up assets and pay off the

charge on their principal residence. Those still working would retain all their earnings, but Names would also get the full benefit of any windfall income.

Names relying on investments as their main source of income would benefit, too, although they would continue to get roughly the same level of income from their hardship trust.

The creation of a £50m fund, financed by contributions from brokers and agents, means that Lloyd's can supplement Names' income when necessary. Money from this fund can be used for several purposes. These include buying annuities on behalf of a member, paying income to the spouse of a deceased member; buying "necessary domestic commodities"; and paying certain school, nursing home or retirement home fees, and medical expenses.

Richard Lapper

## Insurance giant in probe on policies

Unsuitable products may have been sold

MORE than 20,000 policyholders with Scottish Widows, the life assurance company, are likely to have received a letter in the past fortnight telling them they may have bought an unsuitable product.

The policies were sold by its tied agents – financial advisers who sell the products of one company exclusively but are not employed by it directly. Scottish Widows has been obliged by Lauto (the Life Assurance and Unit Trust Regulatory Organisation) to check them after a compli-

ance check in April disclosed that some agents had gathered too little information on policyholders to be able to offer "best advice."

The problem centres on client Factfinds undertaken by Scottish Widows' 130 or so tied agencies. A Factfind is a questionnaire detailing the financial circumstances of an individual (the adviser is required by the Financial Services Act to obtain a completed Factfind from a client before being able to recommend an insurance or any other investment product).

In the case of a subsequent dispute, the Factfind can be used as evidence to show, for example, that a client was sold a commission-rich, whole-of-life policy when a building society account might have been more suitable.

The preliminary review, completed by Scottish Widows in August, was of just under 20,000 Factfinds carried out by tied agents since February 1989. It revealed that only 8,300 were totally satisfactory; hence the requirement for further, more detailed checks.

The review showed that well over 20,000 policies sold by tied agents may not comply with Lauto rules. Of these, 17,500 are cases in which Scottish Widows is unable to decide whether a suitable product has been sold because of incomplete information on the policyholder's Factfind. People in this category are being asked by the company to fill in a mini-Factfind form.

Another 3,240 people are likely to have been sold an unsuitable policy and have been asked by Scottish Widows to contact one of its sales consultants.

If an unsuitable product is found to have been sold, Scottish Widows will try to replace the policy. But if it does not have a suitable policy available, or if a life product was not the best form of investment for its policyholders, the company will be obliged under the Financial Services Act to restore them to the financial situation in which they would have been had they not taken

the contract. Affected policyholders should, therefore, make sure that they are happy with any alternative new arrangements before agreeing to them.

Scottish Widows, which sold just under 129,000 policies last year, is one of the UK's 10 top-performing life insurance and pensions houses. It said this week: "Our immediate objective is to ensure that our customers have been given the correct advice."

"If they have not, then we will act fairly and quickly to ensure any problems are resolved effectively." It has

## Scheherazade Daneshkhu on problems at Scottish Widows

promised Lauto that complete Factfinds will be carried out by November 30.

Scottish Widows is now making big changes. "To ensure this does not happen again, we have reviewed all our systems and procedures," said the company. "We are also introducing a redesigned Factfind and a revised and more exacting training programme."

Meanwhile, Scottish Widows has reduced steadily the number of its tied agents – from 184 at the end of last year to 130 today.

Lauto official Mike Abrahams said many life companies had met problems with tied agents because of "separateness." He added: "Tied agents are a part of the company's direct sales force and are separate in terms of management and work ethos."

Scottish Widows gets 90 per cent of its sales through IFAs, who can recommend the products of any company. It is, therefore, vulnerable to a fall in business should its performance falter. The company is now concentrating on creating a direct sales force, which is scheduled to be in place at the beginning of next year.

## The Week Ahead

LUCAS Industries, the UK-based engineering group, should produce a trading profit of £20m when it announces preliminary profits on Monday before an exceptional gain of £20m from its pension fund refund.

The group is, however, expected to announce exceptional restructuring provisions of £60m. It should maintain its dividend.

Body Shop International will try on Tuesday to repair some of the damage last month's profits warning did to its share price. Bringing a record of unbroken profits growth to an abrupt halt, the cosmetics retailer said interim pre-tax profits would be not less than £2m (£9.1m) and the 0.68p dividend would be maintained.

The shares fell 108p to 188p on the news and, so far, have recovered to only 170p. Investors will be particularly anxious to hear how UK sales are going.

Body Shop said last month that some store sales were down between 3 and 5 per cent

over the past three months. Who will end up owning Mirror Group Newspapers remains unresolved nearly a year after the mysterious death of Robert Maxwell but, despite the uncertainty, the business is still performing well.

Analysts are predicting operating profits of between £40m and £50m for the half year when the results are announced on Tuesday. All the signs are that the actual performance will be at the upper end of the range.

Highland Distilleries, maker of The Famous Grouse, the UK's second best-selling Scotch whisky, is expected to report full year pre-tax profits on Monday virtually unchanged from last year's £28m.

Lloyds Chemists, the second largest retail chemists' chain after Boots, is expected to report on Thursday pre-tax profits for the year to June of about £35m.

The rise from £20.8m a year earlier reflects in large part the group's ambitious programme of acquisitions.

## COMPANY NEWS SUMMARY

## TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share	Market price	Price before bid	Value of bid	Bidder
Blystad	5.4	1 1/2	4 1/2	7.50	Abbot Hodge
Cash May Rob.	95 1/2	82	54	125.32	AAM Hodge
Continous Stat.	40	38	34	6.80	Prontaprint
RHM	220	242	175	782.2	Hanson
TVS Entertainment	26	22	18 1/2	15.50	Int Family Ent
Do. Prof.	45	43	38	22.50	Int Family Ent

\*All cash offer.†Cash alternative. ‡For capital not already held. ††unconditional. Based on 2.50 pm prices 9/10/92. ‡‡Share & cash. † Price at suspension.

## PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings per share (p)	Dividends per share (p)
Advest Group	Jul	7,530	7.100	8.6 (8.2)
Alfred Leisure	Jul	2,210	5.29	12.2 (4.75)
Amsted	Jun	70,850 L	(20,160)	(2.5) 0.4 (1.4)
Balby (Ben)	Jun	443 L	(317)	(2.16) 0.55 (0.8)
BCE Holdings	Mar	34	(822 L)	0.2 (-)
Burn Stewart	Jun	10,340	13.2	(13.2) 3.33 (-)
Courtyard Leisure	Mar	288 L	(82)	(0.4) (-)
Firth (Gib)	Mar	4,860 L	(727 L)	(-) (-)
Galliford	Jun	3,030	(6,380)	2.97 (4.58) 4.3 (4.3)
Halstead (James)	Jun	6,040	(7,650)	37 (36.1)
Hannover Leisure	Jun	3,580 L	(2,170 L)	(-) (-)
Manchester Ltd	Jun	5,060	(5,380)	29.7 (37.0) 18.0 (-)
Mervale Moore	Jun	13,000 L	(815)	(12.7) 1.0 (10.5)
Microfilm Repro	Jun	8,230	(8,190)	10.8 (10.4) 4.32 (3.8)
North American Gas	Jun	84 L	(1)	(2.25) (2.25)
Piston Int'l	Apr	547 L	(484 L)	(-) (-)
Regan Property	Mar	1,800 L	(4,000 L)	(-) (-)
Raine Industries	Jun	13,490	(20,500)	6.1 (10.3) 6.0 (5.9)
Remus Holdings	Jun	2,950 L	(280 L)	(-) (-)
Remus Holdings	Jun	11,100	13.1	(16.1) 6.5 (6.0)
Savage Group	Jun	2,020	(115 L)	0.9 (-) 0.25 (-)
Simpsons of Cornhill	Jul	80	(-) 2.4	(-) (-)
Sunset & Vine	Jun	687	(702)	8.8 (8.8) 3.5 (3.5)
Town Centre Sees	Jun	7,250	(6,510)	5.12 (4.58) 3.1 (2.8)
Webb Miller (Barry)	Jul	6,550	(8,130)	10.7 (9.8) 6.7 (6.7)
Welsh Industrial	Apr	141	(108)	7.56 (5.29) 4.7 (4.5)

## INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends per share (p)
Acorn Computer	Jul	511	(420 L)
Alida Holdings	Jul	445	(117)
Ash & Lacy	Jul	1,970	(2,310)
Austin Reed	Aug	430 L	(839)
Bilton & Battersea	Jun	28 L	(52 L)
Bilton	Jun	8,430	(8,330)
Bentley	Jun	22,400	(21,300)
Brown & Jackson	Jun	9,730 L	(4,280 L)
Calm Energy	Jun	188 L	(1,230 L)
Carlisle Group	Jun	707 L	(549 L)
Chapman Racecourses	Jun	42	(109)
Chillingham Corp	Jun	424	(1,009)
Clarke (T)	Jun	672	(1,200)
Clarke (Horace)	Jun	1,500	(8,100)
Clifford Pople	Jun	1,030	(2,550)
Compuser People	Jun	135 L	(1,730)
Cooper Clark	Jun	126	(203)
Country Casuals	Jul	405	(286)
Daleny Group	Jun	495 L	(648 L)
Derwent Valley	Jun	703	(425)
Edinburgh Packaging	Jun	789	(1,430)
Granville Holdings	Jun	2,450	(4,120)
Hewden Stuart	Jul	6,730	(8,060)
Higgs & Hill	Jun	673	(1,060)
Isle of Man	Jun	3,100	(7,200)
Isle of Man	Jun	1,220	(1,730)
Jamieson Princes St	Jul	437	(378)
Kelly Little	Jun	28	(65 L)
London & Assoc Inv	Jun	554	(483)
London & Manchester	Jun	572	(632)
Martin (Albert)	Jun	1,200	(1,500)
Oriel Group	Jun	1,200	(1,500)
OS Holdings	Jul	3,880	(3,500)
Rea Holdings	Jun	188	(255)
Reed Executive	Jun	3,730 L	(3,170 L)
Scottish TV	Jun	2,200	(1,160)
Select Agents	Jun	946 L	(509 L)
Silentsight Holdings	Aug	4,100	(4,620)
Stylo	Aug	2,650 L	(5,670 L)
S&U	Jul	2,090	(1,890)
Tilbury Douglas	Jun	8,980	(6,960)
Westminster Scaffolding	Apr	524 L	(394 L)
Willis (James)	Jun	318 L	(2,750)

(Figures in parentheses are for the corresponding period.)

\*Dividends are shown net of tax per share, except where otherwise indicated. L = loss.

## OFFERS FOR SALE, PLACINGS &amp; INTRODUCTIONS

Calm Energy is to raise £5.1m via a placing and open offer.  
Linx Printing Technologies is to join the stock market via a placing which will give it a market value of about £20m.  
Tidley Holdings is to join the main market at 120p, which will raise about £22m.  
Westminster Scaffolding is to raise £2.6m via an underwritten offer at 120p.  
Westminster (JD) is to raise £24m via its forthcoming stock market float.

## RESULTS DUE

Company	Announcement due	Last year	This year
FINANCIAL DIVIDENDS			
Alfred Leisure	Thursday	1.07	2.45
Alida Holdings	Friday	1.75	3.25
Amsted	Monday	0.5	0.2
Gleason (MJ)	Thursday	3.12	8.74
Higgins Estates	Monday	1.38	4.14
Highland Distilleries	Monday	2.0	5.4
Intercept Technology	Thursday	1.17	3.0
Lloyds Chemists	Thursday	1.17	3.0
Lucas Industries	Monday	2.1	4.0
Lyons (S)	Monday	1.5	2.95
Maudslayi (John)	Thursday	2.3	2.85
Parsons	Thursday	8.0	16.0
Pochin's	Tuesday	1.9	5.1
Scindia (William) Holdings	Thursday	1.2	4.1
Taylor	Monday	1.2	2.4
Tay Hume	Monday	1.2	2.4
Thomson	Wednesday	1.62	4.13
UDO Holdings	Thursday	1.62	4.13
WRM DIVIDENDS			
Abbeytrust	Thursday	1.2	2.0
AIB Global International	Monday	0.5	0.2
Amnia	Monday	0.5	0.2
Bentley	Friday	0.825	1.85
Bentley	Friday	0.825	1.85
Berry Birch & Noble	Wednesday	1.0	2.2
BHS Resources	Thursday	1.6	3.3
Bodyscot Int'l	Tuesday	0.8	1.7
Brooks Service	Friday	1.3	2.75
Brown (H)	Wednesday	1.75	4.25
Capital & Regional Pro	Monday	0.3	0.7
Channel Holdings	Tuesday	1.5	2.25
Clinton Cards	Wednesday	0.45	1.0
Dela Simpson	Wednesday	1.5	2.25
Defyn Group	Wednesday	0.45	1.0
Elam	Thursday	1.5	5.1
FR Group	Monday	2.34	4.35
Gates (Frank G.)	Monday	2.34	4.35
Hawthorpe	Friday	0.1	0.1
10-Tec Sports	Thursday	1.95	3.85
Hughes (TJ)	Thursday	1.95	3.85
Hunting	Friday	4.0	6.0
Jarvis Fund (Cayman)	Friday	0.8	0.8
Kymmene Corp	Friday	0.8	0.8
London American Ventures Int	Thursday	0.8	0.8
Mirror Group Newspapers	Tuesday	0.8	0.8
North British Canadian Inv	Monday	0.8	0.8
Radames	Thursday	3.5	1.5
St. Paul	Wednesday	3.5	1.5
Serif	Friday	3.0	0.5
Thames	Friday	3.0	0.5
Tutor	Thursday	1.62	1.62
Value & Income Trust	Thursday	1.62	1.62
Walker Greenbank	Monday	1.2	1.9
Wells Management Int'l	Wednesday	1.2	1.9

\*Dividends are shown net of tax per share and are adjusted for any intervening scrip issue. † = Third quarter figures.

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## FINANCE AND THE FAMILY

## Planning Your Pension

## When it's time to get personal

**M**ILLIONS of employees do not have access to a good company pension scheme. The alternative, introduced in July 1988, is the "personal pension". These replaced the old-style, self-employed retirement annuities but — most important — allowed individual employees to contract out of the state earnings-related pension scheme (SERPS). In return, they could get a rebate of National Insurance (NI) contributions to invest in a plan of their choice.

This used to be possible only through membership of an occupational scheme which was contracted out. Where no company scheme operated, employees were in SERPS automatically. Today, almost 5m employees have personal pensions.

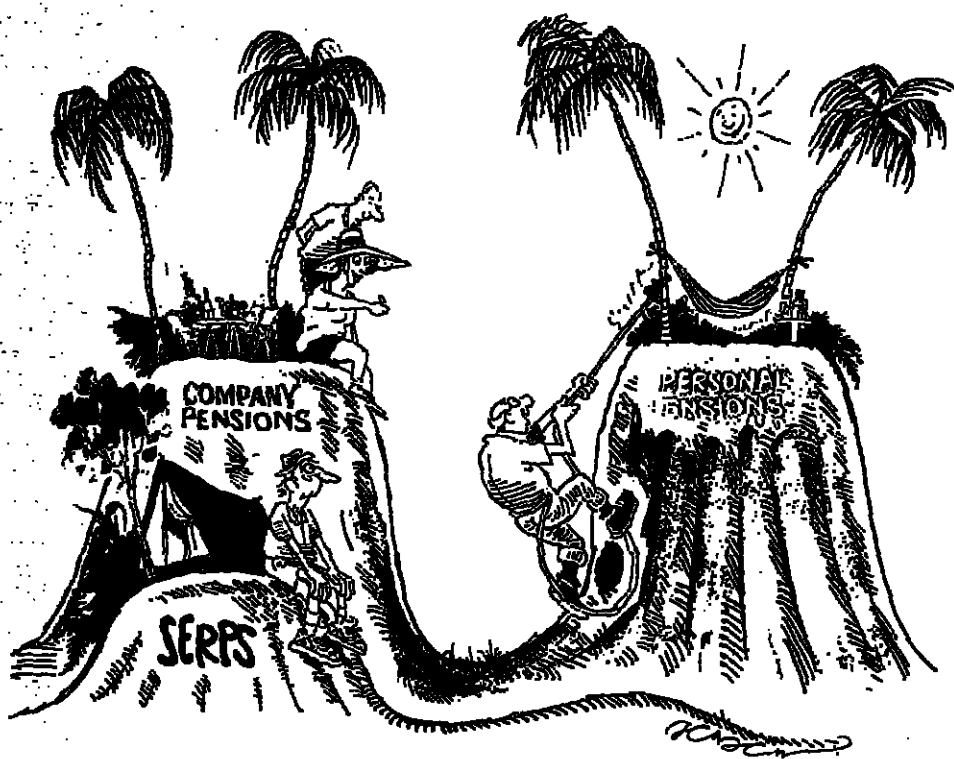
There are two component parts of a personal pension (although, for the sake of convenience, providers tend to lump these together in one policy). The appropriate personal pension is used to contract out of SERPS, while a top-up pension is used to take extra contributions above the contracted out rebate.

Like all pension arrangements approved by the Inland Revenue, the personal plan is an extremely tax-efficient way to save for retirement. Contributions up to generous limits qualify for full tax relief, the pension fund itself grows free of tax, and up to 25 per cent of the total fund at retirement can be taken as tax-free cash.

The rest of the fund must be used to buy an annuity to provide the retirement income. The pension can be drawn at any age between 60 and 75, and these annuity payments are taxed as income.

Personal pensions do not provide a pension linked to final salary, as is the case with most company schemes. Instead, the plans operate on a money purchase basis. This means that your contributions are invested. The value of the annuity you buy on retirement will depend on how well the fund has performed, and how much the provider has taken out by way of charges.

Almost anyone over the age



of 16 can take out a personal pension provided they have earned income. To understand how the personal pension works, it is best to examine the plan in its two component parts.

#### ■ "Appropriate" personal pensions

These are designed for three main categories of employees:

1. Those who do not have access to an occupational scheme.

2. Those whose company scheme is "contracted in" to SERPS (ie, where the scheme benefits are paid in addition to the SERPS pension).

3. Younger workers who expect to change jobs often and need a portable pension. (The portability feature has drawbacks which will be discussed in more detail next week).

If you are under 35 and in one of these categories, you should consider contracting out of SERPS with an appropriate personal pension. This is because the value of the rebate is higher than the SERPS benefits you give up. These benefits do not build

up at a flat rate but increase as you get older. They also differ for men and women. The rebate is a flat rate and, therefore, represents a better deal for younger employees. But the decision to remain contracted out should be reassessed each year.

The rebate is calculated as a percentage of an employee's "middle band earnings" — ie, earnings between the lower and upper threshold for NI contributions. For the present tax year, the NI thresholds are £2,808 and £21,060 per annum, giving middle band earnings of £18,252.

The rebate for the 1992/93 tax year is 8.47 per cent of these earnings, giving a maximum of £1,546 to those who earn £21,060 or more during this period. The 8.47 per cent includes a 2 per cent bonus to encourage employees to opt out of SERPS. The rebate is sent by the DSS direct to your personal pension provider after the end of the tax year to which it relates.

From April 1993, the rebate will be reduced to 4.8 per cent, plus an element of tax relief.

The 2 per cent bonus will stop, but employees age 30 and over will still receive an extra 1 per cent.

There are restrictions on how the fund built up from the NI rebates — known as the "protected rights fund" — can be used. It cannot be used to provide tax-free cash and, in most cases, the pension must be taken at the same age as the state pension, now 60 for women and 65 for men. The annuity bought with the fund must provide for a 50 per cent spouse's pension, and the annuity payments must increase by 3 per cent a year.

Many of these restrictions do not apply to the fund derived from contributions paid in addition to the rebate. In particular, up to 25 per cent of this fund can be taken as tax-free cash.

#### ■ Top-up personal pensions

In addition to the rebate, employees can contribute a significant proportion of their annual earnings into a personal pension. The limits are: Up to age 35: 17.5 per cent; 36-45: 20 per cent; 46-50: 25 per

cent; 51-55: 30 per cent; 56-60: 35 per cent; 61-74: 40 per cent.

It is possible to run more than one top-up personal pension plan provided total contributions fall within these limits. But an employee can only have one appropriate plan for each tax year.

Within the prescribed limits, employers can contribute to an individual employee's plan, although there is no legal requirement to do so. Employees in a company scheme who have earnings from a second source can also take out a personal pension in respect of these earnings.

High earners with personal pensions are restricted by the "earnings cap," introduced in the 1989 Budget, which limits the amount of salary that can be taken into consideration for contributions. For the 1992/93 tax year the cap is £75,000. It is also possible to use up to 5 per cent of the contribution limit to pay for life assurance which, effectively, gives you tax relief on the premiums.

A special provision exists for employees and the self-employed who have unused tax relief in previous years. Under the Inland Revenue's "carry back" and "carry forward" rules, it is possible to mop up unused relief for up to seven previous tax years. This should be discussed with a tax expert.

Finally, personal pension plans can be used to accept a transfer value from a preserved company pension although this is a complex issue and, again, expert help is essential.

Personal pensions are available from a range of financial institutions but the market is dominated by the life offices. A few unit trust groups and friendly societies also offer personal pensions, while the banks and building societies tend to sell life office plans.

Debbie Harrison

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\*Source: Money Mail 31.12.92. Figures are based on real return, not income reinvested. \*Calculation by Foreign & Colonial Management Ltd using mid-market prices, net income reinvested, up to 31.12.92, includes interest 3.5% national expenses. Current charges are 0.25% commission excluding 0.5% Government stamp duty (minimum 50p).

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## FINANCE AND THE FAMILY

FOR MANY people, writing a will is about as attractive as signing their own death warrant. Some feel they have too little to leave and others cannot bear thinking about who should get what. But many simply never get around to what they consider a ghastly task.

This probably explains why just under 70 per cent of the population does not have a will, according to a recent survey by Gallup. But dying without one can cause unnecessary hardship or hurt to family and friends. So, the Law Society has designated next week as Write a Will Week.

Many married couples believe a spouse will inherit all of the other's worldly goods. But under the intestacy rules in England and Wales, a spouse gets only the first £125,000 of an estate; the rest is shared between the spouse and the couple's children. If there are none, the spouse is entitled to the first £125,000 and shares the rest with his or her parents (the rules for Northern Ireland and Scotland are slightly different).

A will also can be an important tax planning tool. While there is no inheritance tax (IHT) when an estate is left to a spouse, there is the danger of a higher IHT bill when they die. But married couples can make use of their nil rate bands to save their children paying too much tax.

Mary Falk, a partner at law firm Farrer & Co., suggests a simplified case in which one spouse leaves £150,000 (his nil rate band for the present tax year) to the children and the rest of his estate to his widow. If she also makes use of her nil rate band in her will, there would be no IHT on £300,000 of their joint estate.

## Where there's a will, there's a better way

Scheherazade Daneshkhu lists the benefits

A will does not have to be complicated but there are dangers in keeping it too brief. John Tompkins, a chartered surveyor, describes how his uncle left a will directing that everything he owned should be transferred to his wife, who was 10 years younger.

The uncle was seriously ill in hospital when his wife, who had written a detailed will, died of a heart attack. "Because of his wife's sudden death, none of her wishes, which included selling the family home and leaving the proceeds in trust for a great-nephew, could be honoured," says Tompkins.

A will usually has three sections: appointing executors, distributing the property, and prescribing powers for the trustees.

Executors handle your affairs after you die. It is usual to appoint a spouse, or the main beneficiary of the will, as executor but it is advisable to have two executors to share the burden. But you should make sure first that they are happy with the responsibility.

Professionals, such as solicitors or

accountants, can be appointed but there should be a clause to arrange payment of their fees. Those with children should also think of whom to appoint as guardian.

Inheritors. Before deciding who should get what, list what there is to leave. This will include your house, car, and valuable possessions such as jewellery and investments. These should be described clearly.

It is advisable to name family members you wish to benefit. If you just say "my children" and have step-children, there could be a problem of interpretation.

Since you will probably be unable to divide up your estate down to the last penny, you should also state who is to inherit what is left over - the residue. If one of your beneficiaries dies before you make an amendment to the will, their inheritance will be added to the residue.

Trustees can be given variable degrees of discretion over how much money children should receive, and

when. They own property legally for your beneficiaries - usually children to the age of 18 - but cannot benefit from that property themselves.

To draw up a will, you can go to a bank (which will insist on being an executor) or will-writing service, but it is safest to consult a solicitor, particularly if your estate is large or complicated. Which? the Consumer's Association magazine, found in its latest survey that the cost of a simple will drawn up by a solicitor was between £25-£50, with more complicated wills starting at £100. Ask for an estimate in advance and try to find a good solicitor through personal recommendation.

Mary Falk says there are several essentials to bear in mind:

■ The will must be at least three signatures to be valid - your own and that of two witnesses.

■ They cannot be beneficiaries (if they are, their inheritance will be invalidated).

■ Marriage revokes a will automatically (unless the person you are marrying is mentioned specifically in it).

■ Divorce also produces complications. Your bequest to a former spouse can be revoked by divorce, but not necessarily.

■ Review your will every five years - or sooner if your personal or financial situation changes significantly.

\*The Consumers' Association this week published *The Which? Guide to Giving and Inheriting* (Consumers' Association and Hodder & Stoughton, £9.99). Details of this and related publications from 3 Marylebone Road, London NW1 4DF. Free fact sheets, and advice on solicitors in your area, can be obtained from the Law Society, 50 Chancery Lane, London WC2A 1SX.

## Insurers adapt to different lives

John Authers and Paul Nuki on changes in policies

LIFE insurance is supposed to be about protecting your family in the event of an untimely death. While this might seem obvious, the industry appears to have forgotten it amid the proliferation of investment products it has marketed heavily in the past few years. Endowments, single premium bonds and personal pensions, for example, are all mainly investment products where life cover is minimal.

Now, attitudes could be changing again, and customers are being offered a range of useful protection products. Many could be worth looking at, since this area has seen little development for some years.

Part of the problem is that early death does not seem as great a risk now as it did in the 19th century when the UK's life insurance industry grew up and the most simple form of life insurance evolved. This is "term assurance" and pays out a fixed sum to your dependents if you die within a set period.

This makes it a "protection" or "risk" policy. If you do not die within the term of the policy, you receive no money, so there is no investment element.

Such insurance tends to be cheap, but it is also rather dated. Parents, even with young children, very rarely go out of their way to buy it.

A recent survey for London Life found that 51 per cent of people do not know how much life insurance they have, and only one in five has enough insurance to cover between five and ten times their annual income.

In most cases, insurance is taken out because it has to be (as is the case with the 46 per cent of those surveyed who took it out to cover a mortgage) or because it is provided via a company pension scheme (which accounted for 47 per cent of those with cover).

Changes in society have created a demand for new angles on term assurance. For example, DBS, the independent financial adviser network, has launched a policy which allows divorced women to insure their husbands' lives. This insures against the risk that their maintenance will be cut off if their husband dies.

C.E. Heath, the broker, offers "confidential life" which allows you to insure another individual without their permission or knowledge. This is also aimed at the divorced, but also at people in the entertainment industry, banks and financial institutions, and the legal profession.

Improvements in medicine have created a demand for

insurance which protects you from the financial consequences of surviving a serious illness.

Life Benefit Resources will buy policies from people who are terminally ill. The policyholders are offered an average of 69 per cent of the value of their policy (up to a limit of 80 per cent), which they can then spend on making their last days as happy as possible. It is of most obvious use to those who are single, or without dependents.

In many ways this converts an "old-fashioned" life policy into another new breed of insurance, usually referred to as "death disease" or "critical illness". These pay out on death, or when you contract one of a set list of life-threatening illnesses. Therefore it can

also pay for the costs of recuperation, time spent off work, or a stay in a hospice. In many ways these contracts seem more relevant to the problems of today, but underwriters are still "feeling their way", and the differences in the precise illnesses covered make shopping around for the best-priced policy more difficult.

Another form of protection, slightly further removed from traditional life insurance, is the oddly named "permanent health insurance". This might better be described as "sick pay insurance" or "income replacement". Such a policy will protect you against the risk of losing income through not being fit enough to work.

Such protection is especially important for the self-employed but should also be considered by employees who are not covered by competitive company sick pay arrangements. The underwriting skills needed for this are very different from straightforward life insurance. But traditional insurers have not been able to ignore such policies. The latest entrant to the market is Standard Life, the UK's biggest mutual life insurer.

Standard Life has built its reputation on investment per-

formance. Now it will join forces with UNUM, a US-based disability insurer. They aim to spark life into the stagnant permanent health insurance (PHI) market.

Following the launch three weeks ago of a mortgage-linked critical illness policy by Scottish Amicable, this is the strongest sign yet of a shift in consumer demand, brought on by the recession, away from investment-orientated products to policies that provide security and protection.

The launch of the new policy, planned for November 1992, will coincide with improvements across Standard Life's range of protection-based policies, including the introduction of non-smoker rates on its life term assurance. This also shows an attempt to compete on the price of protection, rather than on investment performance.

However, the decision to team up with UNUM could prove controversial. Since UNUM's arrival in the UK two years ago, it has gained a reputation as a hard-nosed underwriter which takes a tough line on claims.

Its sophisticated system of "claims management" incorporates a team of counsellors who visit claimants' homes in an attempt to speed both their recovery and return to work, and it has recently been involved in several high profile disputes with claimants over benefits that have been refused or withdrawn.

Standard Life said it had chosen UNUM because of its extensive experience in the PHI market, adding that criticism of UNUM's claims handling was exaggerated.

UNUM's role in the new venture will be to underwrite and administer the product, which will be branded with the Standard Life name.

The basic design of the policy will follow an established format: it will pay out 75 per cent of salary, minus state benefits, after claimants have been off work for either 13 or 26 weeks, depending on the deferral period selected at outset.

Perhaps most important, however, the definition of disability to be used to determine the validity of claims will relate to the claimant's "own" occupation. Other plans require the claimant to be rendered incapable of pursuing any occupation before they pay out.

If the policy proves successful, the way should be open for consumers to find ways of protecting themselves cheaply, without taking on over-priced investments on top.

Expatriates/Donald Elkin

## The advantages of buying British

MOST expatriates know that non-residence status, combined with placing their savings overseas, is all they need to keep their investment income beyond the reach of UK tax. So, it might be a surprise to learn that British investments can sometimes be more tax-efficient.

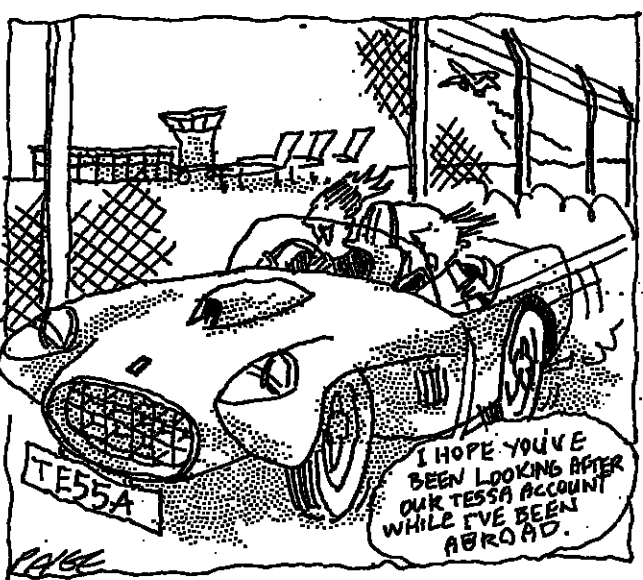
Take tax-exempt special savings accounts (Tessas). Anyone is entitled to accumulate up to £3,000 in a Tessa over five years, free of any UK tax on the income. Of course, your overseas investment income also is exempt whilst your non-residence continues but, by building up a Tessa, you can curtail the tax liability you would face if you return to live in the UK. And the yield is likely to be as good, or better, than anything available elsewhere.

Personal equity plans can be even more beneficial, since you can invest £9,000 every year.

A fundamental difference between Tessas and Peps is that, normally, the latter are available only if you are resident and ordinarily resident in the UK (although an exception is made for crown servants who can invest regardless of their status).

But many people who regard themselves as expatriates are, in fact, UK resident (sometimes, without realising it).

Often, this can arise from making visits to the UK at a time when living accommoda-



tion is available there. This does not apply to anyone who has employment or business which (apart from any incidental UK duties) is carried on wholly overseas. But it does apply to air crew, directors of UK companies, sailors, and others who perform substantial (that is, not incidental) duties in the UK and have accommodation available there.

The most numerous group of "resident expatriates" is wives who do not themselves have full-time employment overseas. All these people can, if resident and ordinarily resident in the UK, invest in Peps and there can be considerable advantages

in doing so. Consider, for example, a family consisting of resident wife and non-resident husband who propose to return to the UK for residence in 10 years' time.

By taking up her full entitlement of Peps every year, the wife could build up a portfolio of £90,000, plus growth, even before the move takes place and could continue to enjoy tax-free income and capital gains from it indefinitely thereafter. By contrast, all the fam-

ily's other currently-exempt income and gains become taxable in full immediately the change of residence occurs.

Care is necessary, though. Anyone taking up a Pep must declare that they are resident and ordinarily resident in the UK.

They cannot do that and deny the effect of that status on any other income and gains to which they are entitled.

Consider again those wives without full-time overseas employment. Long-standing inland Revenue practice - now enshrined in extra-statutory concession A78 - means that many whose husbands are employed overseas for three years or more (or would be, but for some unexpected termination) can be regarded as not ordinarily resident in the UK throughout.

They do not have to accept this concessional treatment, but failure to do so could result in UK tax liability on their overseas income (and, as UK residents, they already face such a liability on their capital gains).

The problem usually can be overcome by holding most of the overseas investments in the sole name of the non-resident husband, with the wife retaining only those from which the income and gains

are covered fully by her available personal allowances.

For the aircrew, company directors and the others referred to earlier, however, Peps are by no means the most advantageous of UK investments available.

Because of their status, their salaries - although typically exempt from UK tax because of the "foreign earnings" deduction (visits to the UK do not exceed 62 consecutive days or one sixth of the overall period with more generous limits for seafarers), will be regarded as "not relevant earnings".

Those who are not already members of UK approved pension schemes can, therefore, pay UK personal pension contributions of between 17.5 per cent and 35 per cent per annum according to age - although subject, since 1989/90, to an indexed ceiling on pensionable earnings. Somewhat startlingly, such contributions attract a 25 per cent subsidy from the taxman; for each £1,000 of gross premium, you have to pay only £750, the balance being met by the Treasury. That, you might think, is the nearest inland Revenue will ever get to making you an offer you cannot refuse.

Donald Elkin is a director of Wilfred R. Fry Ltd of Worthing, West Sussex.

## Picture of wealth



No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

■ Yes - the former rule which enabled a husband to obtain CGT relief for his wife's losses and vice versa (subject to the other spouse's tacit consent) was abolished with effect from the end of 1989-90.

Allowable losses which accrued at any time in the past can be set against current chargeable gains. Section 2(2) of the Taxation of Chargeable Gains Act 1992 says:

"Capital gains tax shall be charged on the total amount of chargeable gains accruing to the person chargeable in the year of assessment, after deducting

(a) any allowable losses accruing to that person in that year of assessment, and

(b) so far as they have not been allowed as a deduction from chargeable gains accruing in any previous year of assessment, any allowable losses accruing to that person in any previous year of assessment (not earlier than the year 1965-66)."

There is no procedure for agreeing the amount of any allowable loss until the year in which it is actually set against chargeable gains. All relevant data and papers should, therefore, be retained.

The courts have confirmed that a tax inspector is not bound by any informal agreement of allowable losses available to be carried forward.

Ask your tax officer for the free pamphlet CGT15 - Capital Gains Tax: a Guide for Married Couples.

AS AN artist, I have accumulated a large number of paintings, with a value of several thousand pounds. If I were to sell most of these via a public exhibition or to a dealer, would the transaction be considered "trading," and hence taxable, or merely as a sale of chattels?

■ A public exhibition would probably be regarded as an adventure in the nature of trade. The question would then arise as to when (and at what value) the paintings were appropriated to the trading activity.

The amount at stake probably justifies the expense of professional guidance through the tax/VAT/NIC maze - from a local accountant for example - particularly as, presumably, you do not plan to stop painting after the sale.

### Payment in kind

I RETIRED from the board of a company some two years ago and, since then, an offshoot has been paying my BUPA subscription voluntarily. Is the subscription taxable as a payment in kind?

■ On the bare facts outlined, the answer is that the amount paid to BUPA on your behalf is assessable under Schedule E. It might well be that the paying company will not get any corporation tax relief in respect of the amount in question, since it does not appear to have made the payment for the purposes of its trade.

### Beneficial interest

MY WIFE and I have joint building society deposits, as

well as shares and other investments in our joint names. On the death of one party, does the entire beneficial interest go to the other? This is obviously relevant for succession planning and inheritance tax.

■ Barry Sillerman, of accountants *Sloy Hayward*, replies: "You are correct in stating that, in the case of joint building society accounts and other investments in joint names, the assets pass entirely to the survivor on the first death."

For inheritance tax purposes, if you want to pass certain of the assets to parties other than your spouse - for example, your children - then it would be necessary to separate the investments so that they are held by each of you separately. This is similar to the situation regarding property where many houses are held under a joint tenancy so that, if you want to gift your half-share of the property, it would be necessary for the interest in the property to be held as tenants-in-common rather than under joint ownership. Thus, you can each deal with your half-share as you wish.

### Separate taxation

HAS THE change to separate taxation of husband and wife affected the carrying forward of losses on share dealings to offset future capital gains in excess of the capital gains allowance?

■ Can I now separate the capital losses of my wife and myself for past years and set these against our separate future (hoped for) capital gains in excess of the allowance?

Is there any time limit on carrying forward capital losses?

■ The new provisions regarding the carrying forward of losses on share dealings to offset future capital gains in excess of the capital gains allowance, which came into effect from 1992-93, do not affect the carrying forward of capital losses. All relevant data and papers should, therefore, be retained.

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Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
<b>INVESTMENT A/C's and BONDS (Gross)</b>					
Scarborough BS	First Post	0800 590578	Instant	£250 9.00%	Y/y
Brilliana BS	Capital Trust	0800 554456	Instant	£2,000 9.80%	Y/y
Scarborough BS	First Post Plus	0800 590578	Instant	£25,000 10.10%	Y/y
Allied Trust Bank	3 Mth Notice A/C	071 626 0879	3 Month	£2,001 9.92%	Y/y
Newcastle BS	Nova Star	091 232 6876	1 Year	£5,000 10.10%	Y/y
Chelsea BS	Premier V	0800 272505	31.1.95	£10,000 10.75%	Y/y

<b>TESSAS (Tax Free)</b>					
Allied Trust Bank		071 626 0879	5 Year	£9,000 11.68%	Y/y
Julian Hodge Bank		0222 220800	5 Year	£20 11.00%	Y/y
Monmouthshire BS		0633 840454	5 Year	£11 11.00%	Y/y
Darlington BS		0325 487171	5 Year	£1 11.00%	Y/y

<b>HIGH INTEREST CHEQUE A/C's (Gross)</b>					
UDT	Capital Plus	0734 560411	Instant	£1,000 8.25%	O/y
Caledonian Bank	HICA	031 556 8235	Instant	£1 8.50%	Y/y
Chelsea BS	Classic Postal	0242 521391	Instant	£10,000 9.60%	Y/y
				£25,000 10.70%	Y/y

<b>OFFSHORE ACCOUNTS (Gross)</b>					
Woolwich Guernsey Ltd	Intl Gross	0481 715735	Instant	£900 8.75%	Y/y
Bristol & West Intl Ltd	Guernsey 90 Day	0481 720609	90 Day	£25,000 9.95%	Y/y
Bristol & West Intl Ltd	Intl Premier	0481 720609	Month+	£5,000 10.30%	Y/y
				£50,000 11.10%	Y/y

<b>GUARANTEED INCOME BONDS (Net)</b>					
Prosperity Life FN		0800 521546	1 Year	£25,000 7.10%	Y/y
Prosperity Life FN		0800 521546	2 Year	£15,000 7.25%	Y/y
Prosperity Life FN		0800 521546	3 Year	£15,000 7.50%	Y/y
Financial Assurance FN		081 367 6000	4 Year	£3,000 7.25%	Y/y
Financial Assurance FN		081 367 6000	5 Year	£3,000 7.55%	Y/y

<b>NAT SAVINGS A/C's &amp; BONDS (Gross)</b>					
Investment A/C			1 Month	25 7.25%	Y/y
Income Bonds			3 Month	£2,000 9.00%	M/y
Capital Bonds F			5 Year	£100 9.00%F	OM
First Option Bond			12 Mths	£1,000 8.67%F	Y/y

<b>NAT SAVINGS CERTIFICATES (Tax Free)</b>					
30th Issue			5 Year	£25 6.75%F	OM
5th Index Linked			5 Year	£25 4.50%	OM
Childrens Bond D			5 Year	£25 9.10%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross Fixed - Fixed Rate. All other rates are variable. OM = Interest paid on maturity. Y = Yld. S = Bond. F = Rate fixed until 1.2.93. - After 6 months qualifying period.

Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Welsham House, Shelton, Norwich. Readers can obtain a complimentary copy by phoning 0952-525-525.

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## PROPERTY

## Mayfair — simply the best address in town



Aberconway House, which is on offer for £5.5m as a possible ambassadorial residence

THESE ARE builders at work all over Mayfair these days. Georgian, Victorian and Edwardian houses used since the second world war as "temporary" offices are being converted back to residential use. This will, once again, make Mayfair the best address in London — as it is on the Monopoly board.

Richard Crosthwaite, of Knight Frank & Rutley, has identified 42 development schemes with planning permission from the City of Westminster to create 199 houses and flats in Mayfair. The Duke of Westminster's Grosvenor Estate alone has 84 buildings that were used as offices; most of them will become 15 houses and 139 flats. The first to be tackled was 6 Aldford Street, an Edwardian building that was switched from offices to five flats in 1988.

The first house on the estate to be restored for private occupation was 7 Upper Brook Street. Because of structural defects, part of this Grade II-listed building had to be rebuilt to make it a gracious, six-bedroom, Georgian town house on six floors. It was sold through Savills last year for more than £1m with a new 65-year lease, and is now back on the market for sale through Egerton (071-493-0876) at £1.4m.

One of the largest schemes will be converting Taylor Woodrow's former offices of 29,000 sq ft at 8-12a

Park Street and 1-5 Rex Place, which the estate sold this summer through Wetherell and Savills for more than £2m to an overseas client of Citibank. The buildings will become three houses and 11 flats with garaging for 14 cars.

The estate has just completed Avery Court, a block of six new flats in the newly pedestrianised Avery Row, which runs between Brook and Grosvenor streets. Five one-bedroom flats are for sale through Debenham Tewson Residential (071-408-1161) at prices from £180,000 to £200,000 on new 75-year leases, and the sixth is a two-bedroom flat at £285,000. The estate also is near to completing the conversion of 106-114 Park Street into

building as flats or to redevelop it as 17 new luxury flats, with 15,000 sq ft of banking and ancillary offices on the ground and first floors and underground parking for 39 cars (for which planning permission has been obtained).

Another large block of properties in Mayfair forms the Ropemaker Estate, owned by British Petroleum's pension fund. Agreement has been reached with Westminster to restore 12 buildings as 37 houses or flats, the first of which — at 33-35 Hill Street and 27-30 Hays Mews — are being refurbished or reconstructed to create 12 flats and six mews houses. These will be released for sale later this year through Debenham Tewson Residential.

## Offices are giving way to top-drawer flats and houses, reports Michael Hanson

11 flats, with prices expected to range between £225,000 to £350,000 through W.A. Ellis (071-581-7654).

One of the most celebrated cases of a "temporary" office permission is Brook House in Park Lane, which was built in 1930 as a block of luxury flats. The 40-room penthouse on the top two floors was the London home of the Earl and Countess Mountbatten.

Brook House was converted into offices soon after the blitz of 1940, and from 1964 was the headquarters of Britain's second-largest property company, MEPC. Having failed in 1988 to win consent for continued office use, MEPC and Grosvenor Estate Holdings sold Brook House in April this year for \$9.1m to a consortium of overseas investors.

The buyers have been given a new 105-year lease by the Grosvenor Estate, but are required by December 1995 either to refurbish the

Offices once occupied by the Randsworth Trust, at 78 Mount Street, have been restored as a six-bedroom house for which offers of \$4.6m are being invited through Knight Frank & Rutley (071-629-8171) and Wetherell (071-493-8835).

The former London home of the Duchess of Argyll at 48 Upper Grosvenor Street is for sale at £2m through Chesterfield (071-5781-4234) and Egerton. Another £2m is being sought by Chesterfield for the modern house immediately behind it in Reeves Mews. This residence recently has been rebuilt completely. On the opposite side of the road, 8 Upper Grosvenor Street is about to be redeveloped by Goshawk Developments to designs by Michael Blomfield & Partners. These will create 5,000 sq ft of offices behind its listed Lutyens facade, and seven new flats with

underground parking for eight cars in Blackburne's Mews, at the back of the American Embassy.

A recently reconstructed house in Farm Street is for sale at £1.7m with a 95-year lease through Lassmans (071-499-3434) and Henry Pryor's newly formed agency, the London Office (071-438-3900). This four-bedroom house has the advantage of a double garage — rare in Mayfair.

Several well-known businessmen are trying to sell their Mayfair homes. Asil Nadir paid about £1.25m for his house in Aldford Street, which his bankers now are offering for sale with a 55-year lease at £250,000 through Debenham Tewson Residential. Gerald Ratner's house in Balfour Mews, which he bought three years ago for £2.3m, is for sale at £1.5m on a 38-year lease through Knight Frank & Rutley and Beauchamp Estates (071-629-1077). Meanwhile, advertising tycoon Maurice Saatchi has had to reduce the price of his 7,500 sq ft Lees House to £3m through Lassmans. It was on offer for more than £5m two years ago.

Anca House, in Chesterfield Gardens, was sold this summer for close to £30m to an overseas buyer who will convert it into a 12-bedroom mansion. But the deal has revived hopes that another great Mayfair mansion will be restored to residential use: Aberconway House at 38 South Street, built in 1920-22 as the London residence of the second Lord Aberconway but used as the headquarters of the Rank Organisation until 1985.

The Grosvenor Estate is looking for a buyer to use its 25,000 sq ft as a private house or an ambassadorial residence (for which its magnificent entrance hall, ballroom and 30-seat dining room are appropriate). Offers of £5.5m are being sought for a new 75-year lease through Knight Frank & Rutley and Wetherell.

WHOLE HOUSES in the magnificent Royal Crescent in Bath appear rarely on the market as only six have not been divided up. So, two on sale side by side at the same time represents an extraordinary opportunity.

Most of the other houses in the crescent are beguiled in soot but numbers 21 and 22 stand out for their scrubbed Bath stone and for the famous yellow door of No 22.

The Yellow Door Dispute was high theatre early in the 1970s when its owner, the redoubtable Annabel Wellesley-Cooley, decided to paint it that colour. Why yellow, when all the other front doors were white or natural wood (as they remain)?

## Delightful duo in the best of Bath

She was protesting against the council's act of painting yellow parking lines on the 18th century pavement in the crescent.

She was taken to court but fought her case to appeal and, eventually, secured the right to paint her front door as she wished. And yellow it remains today — as are the lines in the street on the side next to the top lawn, for which residents pay £8 a year for their private use, behind rails and inside a ha-ha.

Of all Bath's townscapes, the Royal

Crescent gives the grandest sense of Palladio transposed to Somerset. Built in 1767-75 by James Wood the younger, it was the last part of the original schemes for Bath. It still astonishes for the contrast verging on absurd between the urban sophistication of its great curve and the quasi-country of the lawn and Victoria Park, even though sheep and cattle no longer graze there. One repaired to the Royal Crescent "to breathe the fresh air of better company," wrote Jane Austen, disparaging the vulgarity that, by her time, had taken over the Assembly Rooms and Pump Room in the centre of town.

The two houses, on sale separately or together through Knight, Frank & Rutley (0235-659771) at guide prices of £900,000 and £975,000, share a huge attraction.

Both are in tip-top condition, re-leaded, re-plumbed, re-roofed, glazing bars put back and stone cleaned. Each has a self-contained basement flat, six bedrooms and six baths. The hall floors have

diamond patterns in white Bath stone and black slate; and icing sugar plasterwork abounds. In this 18th century oasis, the living rooms will look their best if the new owners follow the Georgians and keep to polished floors and rugs.

The view on the crescent side looks across the lawn down to the centre of Bath; at the back, it is up the hill through a forest of chimneys. The curve of the crescent makes the back gardens private, so that only the next-doors can see you

sunbathing. Most of the street is round the bend.

Who will live in one of the world's best addresses? For an extended family, the pair of houses would be a fine place. There is plenty of room to include grandparents, maiden aunts and unemployed young — and to give parties. That is what these grand houses were designed for.

Help will be essential, but a cleaner can be found in Bath for around £3.50 an hour. And when mother tires of cooking, the dining room of the Royal Crescent Hotel makes an excellent, although not cheap, neighbourhood watering hole.

Gerald Cadogan

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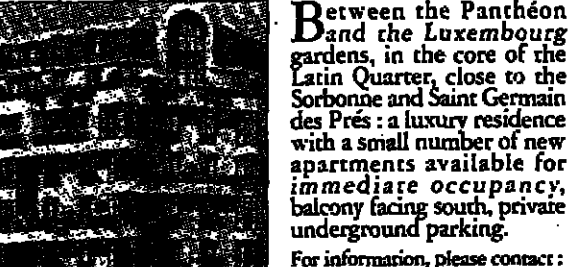
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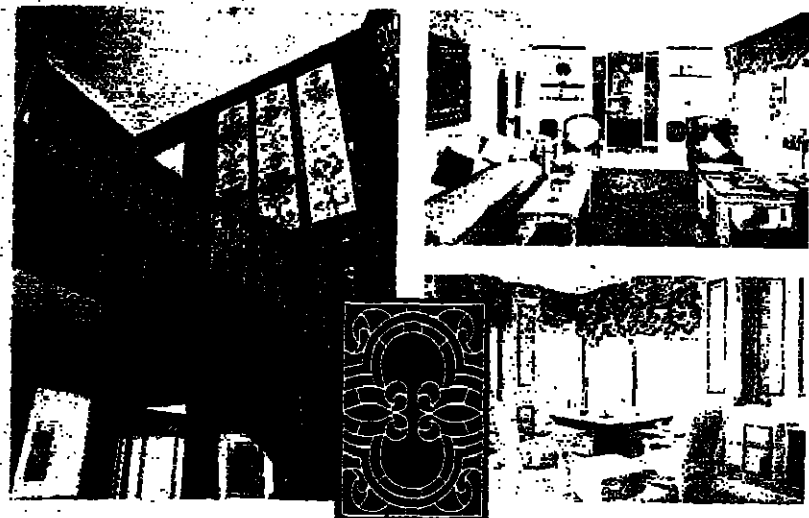
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## GARDENING AND MOTORING

# Face the facts: fuchsias enjoy breaking rules

Robin Lane Fox takes the RHS to task over a question of hardiness

**A**T LAST, we have a proper English autumn: green grass is framing damp flowerbeds, berries are everywhere, and there are not so many wasps that plums become too hot to handle. Much less has been heard about global warming, except among those gardeners who have burnt their fingers holding to Tuscany. My violas are loving it all in full sun, refuting the usual view that they must grow in shade and cool soil.

Fuchsias are loving it, too; these are plants we should not confine to wretched hanging baskets. I suspect strongly that we underestimate them: many are harder than we are all taught to believe.

The Royal Horticultural Society has just put its name to a new encyclopaedia of gardening which is characteristically cautious: "Breeders have produced a vast range of hardy and slightly tender hybrids... most fuchsias cannot tolerate intense sun... in cold areas, many may need frost protection in winter..." The encyclopaedia names only one example of a hardy fuchsia: Lady Thumb, a white and red flowered version of Tom Thumb which died with me last winter.

Since the RHS refuses to face the fuchsia, I will rely on other sources: what does that encyclopaedia think about the botanic garden in Leicester? Three years ago, its curator showed me the sort of sight I relish: masses of fuchsias growing happily from year to year in beds in full, hot sun.

The garden can list more than 70 varieties which break the supposed rules and survive the winter in a garden which is not unduly sheltered. Nonetheless, we are all taught that almost all fuchsias need shade and have to spend the winter in a cool greenhouse. The bushes are never pruned until spring, and their bare skeletons sometimes are protected with a mound of earth or debris piled over their crowns.

Nowadays, we can all use Fibre Fleece instead, although the new encyclopaedia does not even mention it.

This is the brand name for rolls of a protective white blanket which can be cut and pinned over any tender plant during the next month. It keeps off most of the frost and allows water to continue to permeate the ground. My results with it have been excellent.

Perhaps the thought of bare skeletons in the winter might deter you; if so, you should follow a trick used at Fildcote for many years. In the next few weeks, plant bulbs of the bright blue scilla sibirica right up to the fuchsia's main roots. They flower brilliantly in the spring before the fuchsia regains its leaves, and they do not object to its competition.

The RHS encyclopaedia permits this trick, too: "Choose just one cultivar per container," it tells us, "as different cultivars grow at different rates. Mixtures of fuchsias and other plants also make a successful display."

Surely "other plants" grow at different rates and, anyway, which others? Fuchsias and French marigolds look awful, although they have been seen at Wisley. As a gardener, I can never take too seriously advice which goes on about "cultivars" without being specific.

My second pillar is the *Fuchsia Lexikon*, by Ron Ewart, published in 1982 by Blandford Press. Admittedly, he goes on about cultivars, too, but his book is one for specific reference, not reading through, and it does give us an expert's view of hundreds of varieties from Angela Rippon to Yun Yun. Ewart was a professional grower for 20 years and served the Fuchsia Society in high office. I trust him.

Even in 1982, after a frightful winter, he was prepared to name quite a range of fuchsias as "garden hardy": pink and mauve Elfin Glade, carise and purple Genii, old red and purple Brilliant, and many others like Henriette Ernst and Marjorie Blake which you need to hunt out in your *Plantfinder*.

Whenever I have lost a Ewart selection, it has been my own fault; but, on Leicester experience, the list of possible hardiness is even longer. Right now, in



Glorious fuchsias: more hardy than you might expect

Oxford, we have mature plants of the lovely *Voltaire* which are flowering freely in a sunny position, having survived several winters, dry summers, and the little ways of the student body. Yet, *Voltaire* is usually marked as a half-hardy form.

During the next fortnight, you still have time to take cuttings of any fuch-

sias you want to perpetuate. Almost all of them root with absurd ease in a slightly warm place. By next year, they will be flowering, a wonderful postscript to the season among pale blues, white, and soft colours. Back, then, to the fuchsia - just the plant for traditional autumnal displays when the weather is planning to return to tradition.

# The charms of finding a stranger in your bed

**I**HAVE a weakness for self-sown shrubs which bear the prospect of being different. *Cotoneasters* are one, along with buddleias and the deciduous varieties of *anonymus*. I am constantly finding *cotoneaster* seedlings in the strangest places, coming out of crevices in walls or wedged against the bole of a tree where they have been missed by the lawnmower.

With some species, you can be fairly certain from the outset about what these seedlings are and their potential quality. Seedlings of *C. horizontalis* are of this kind; in my experience, they always have the same fishbone style of branching, ready to mould themselves to any firm surface whether it be a wall, fence or tree stump, or to spread outwards over the ground, layer upon layer. Usually, these seedlings differ only in the quality of their flowers and berries, and in their ability to turn vivid shades of yellow, orange and red in the autumn before the leaves fall.

Evergreen *C. microphyllus* is also one that is regular in character. Its leaves are very small and dark green, its berries crimson, and its humped stems excellent at moulding themselves over low walls or large rocks. A little less certain is *C. conspicuus*, an evergreen species from Tibet which always makes a dome-shaped bush but can vary greatly in ultimate size and also in its ability to produce regular crops of scarlet fruits. At its best it is superb and, though the berries look so good, birds shun them; thus, they usually hang on well into the new year.

*C. franchetii* is totally different. It has long, flexible stems which arch outwards all around it, eventually making a big, loose bush with tapering evergreen leaves. From September on, it produces heavy crops of fruits born in clusters.

There is a form of it which, for many years, I called *C. wardii* - until I read that the true bearer of this name was unlikely to be in cultivation and that the plants really are *C. sternianus*. As the leaves become old they turn orange, and the bush is among the brightest in the garden, but this is a quality that can differ from one seedling to another. *C. salicifolius* identifies itself by its long, narrow leaves, like those of a willow but evergreen. It can be 10 to 15 ft high and as much in diameter, so that a chance seed that decides to germinate in the middle of a

dus in the Bagshot, Surrey, nursery of John Waterer & Sons. A selected form of it, kept true to type by being grown from cuttings, is still sold as *C. John Waterer*.

This is the kind of plant you should get if you do not want to play around with the uncertainty of seedlings. I think that, basically, gardeners are of two kinds: those who bother a lot about purity of variety and correct naming, and those who find it rather fun to have plants which are beautiful but which they are unable to identify precisely.

*C. dieckmannii* is a true species that is very free with its seedlings. It is deciduous and its long stems arch gracefully outwards. There is a seedling of it in my garden which I intend to remove as soon as it has lost its berries because it is taking up too much room and interfering with the grass mowing. I could prune it, but that would spoil its shape. So, I am content to let it go as there are others like it elsewhere.

The lowest growing of the *cotoneaster* is *dammieri*, which covers the ground with a carpet of evergreen leaves although it is only dwarf in height. Sideways, it seems capable of going on forever, rooting into the soil as it grows. It is a favourite with landscapers, who use it to cover banks and also to smother weeds.

I do not grow it and cannot say how it fares from seed, but I doubt there is a lot of variation. There is, however, a variety named *Skogholm* which is at least twice the height of the type plant. In the beginning, this probably was just another of those chance seedlings that was left to see how it would fare. But there might from the outset have been some hint of difference that aroused curiosity. That is the way a good many fine plants originate.

Chance seedlings can be worth encouraging, says Arthur Hellyer

flower border can become an embarrassment in a few years. But this is a very variable plant in size and habit, and some of its seedlings are sufficiently dense and low to be used as ground cover.

This excellent species does not seem to be quite certain whether it is evergreen or deciduous, but this might be because it crosses readily with other species, including *C. frigidus* which does lose its leaves in winter. If, like me, you let chance seedlings stay out of curiosity, it could well be that what you are calling a species is, in fact, a garden mongrel. This bothers me only when visitors press for instant names and I have to confess I am not sure.

A very fine *cotoneaster* named *watereri* is rated officially as a hybrid between *C. frigidus* and an evergreen species named *C. henryanus*. This is said to have appeared as a chance seedling from *C. frigi-*

Motoring/Stuart Marshall

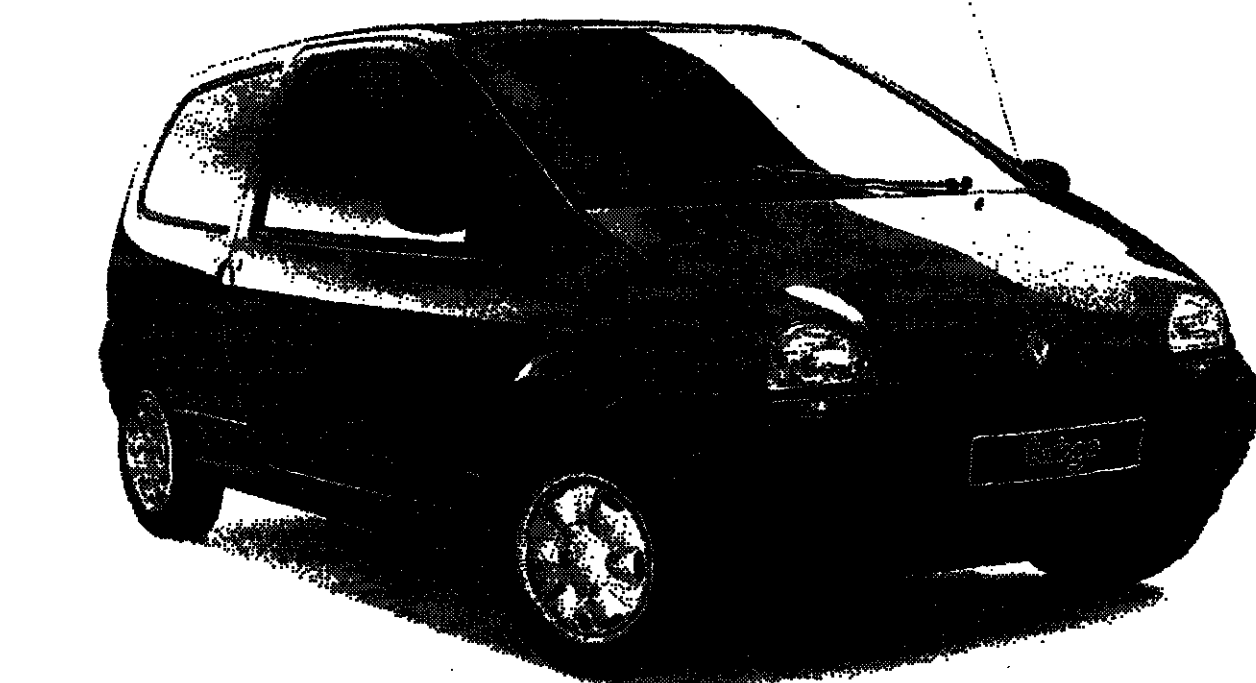
# Real cars, real people, real French flair

**F**ORGET the 200 miles-an-hour follies and the spare-no-expense creations for motoring's mega-rich. Small is beautiful at Mondial de l'Automobile, the French car industry's biennial show that opened in Paris on Thursday.

At the centre of attention are two little cars that will be bought by real people, using real money they have worked hard to earn and on which they have paid taxes. Making their world debut are the Renault Twingo and the Nissan Micra.

The Twingo is sub-Renault Clio in size and styled with the same flair that has made the Renault Espace Europe's leading multi-purpose vehicle for many years. While the Micra - now being made alongside the medium-sized Primera in the Nissan plant at Washington, north-east England - is a little bigger than the Twingo, it is small enough to feel at home in crowded city streets but has enough space to let four adults sit in tolerable comfort on a journey.

The Twingo will lock horns with Fiat's Cinquecento, a perky little town car looking like a Fiat Uno's baby brother. The Cinquecento, already sell-



The Renault Twingo town car: tiny but roomy with advanced styling

ing well on mainland Europe, is due in Britain by the end of the year.

Many Britons will be disappointed that Renault has no plans at present to make the Twingo with right-hand drive. In France, it will go on sale early in 1993 at an anticipated FF55,000. That is more than £5,700 in devalued sterling although a month ago, when Renault unveiled the Twingo, the price tag would have been nearer £5,500.

There will be only one Twingo model: a 55-horsepower, 1.2-litre, three-door hatchback with a five-speed gearbox and a top speed of 95 mph (153 kph). There are just two extras: a fabric sun-roof and air-conditioning.

Many of the 35,000 Micras to be made in 1993 will go to

mainland Europe to compete with the likes of the Ford Fiesta, Renault Clio, Peugeot 106 and 205 and Fiat Uno. Britons will get first sight of it at the Birmingham International motor show later this month.

The Paris motor show arguably has upstaged the Birmingham show

and it goes on sale in the UK in January.

Although the British-made Micra is 60mm (more than two inches) shorter than the old Japanese-made model it is taller, has a longer wheelbase and is bigger inside. There are two multi-valve engines of 1.1 and 1.3 litres' capacity, and a choice of five-speed manual or

Nissan's continuously variable automatic transmissions. Although small, it is sophisticated. Options will include a tilt-and-slide sunroof, power steering, anti-lock brakes and air-conditioning.

More and more Europeans who buy cars of modest size and price now are demanding air-conditioning. They find today's large, sloping windcreens attract enough sun-radiated heat to make interiors very uncomfortable without it. Renault used Harrison, an American air-conditioning giant, to produce the optional

extra system for the Twingo. Diavio of Italy's after-market system for the Fiat Cinquecento incorporates many of the same US-made components. At the Paris show, Peugeot has introduced the long-awaited diesel and five-door versions of the 106. Diesel fuel is roughly two-thirds the price of unleaded petrol in France and more than 40 per cent of all newly-registered cars there have diesel engines, with 50 per cent on the horizon.

With unleaded petrol at around £3 a gallon (8p a litre) and diesel £2 (44p a litre), the economic argument is compelling even without putting the diesel's 30 per cent lower consumption into the equation.

Peugeot also is showing the revamped 405 range and a two-litre, turbo-charged and petrol-

engined 605. The 405, which will be unveiled for Britons at Birmingham, has a new interior and a better boot. Engine options now include the outstanding 1.9 turbo-diesel seen first in the Citroën ZX 1.9td.

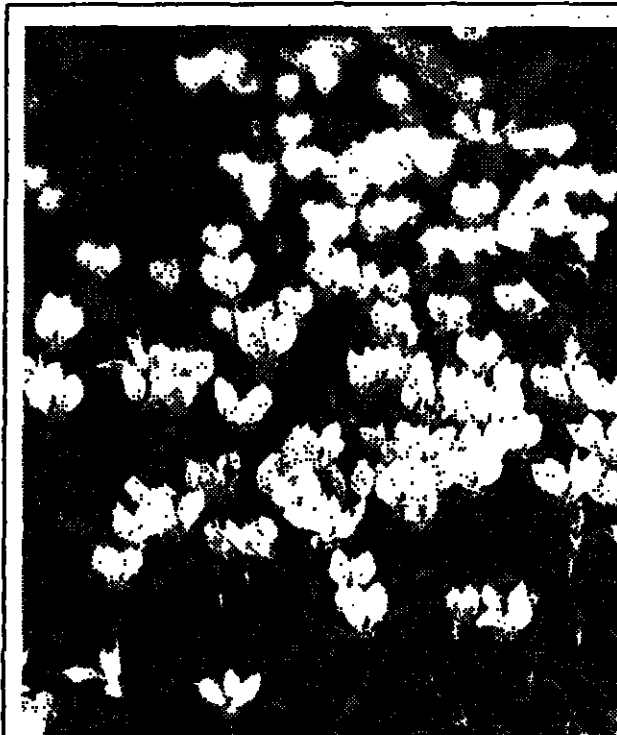
I took a heavily-loaded ZX 1.9td to France last month. Despite a lot of cruising at the 130 kmh (81 mph) autoroute limit, it returned better than 50 mpg (5.65 l/100 km) and drove with a petrol car's vigour and refinement.

Citroën's two-door ZX models made a Paris debut. These, too, will be at Birmingham.

Rover cars are among Britain's most visible exports in France, none more so than the Range Rover, which the trendy and well-heeled consider the vehicle in which to be seen. The new, 4.2-litre, £39,995 LSE flagship of the Range Rover line (this column, last week), with its height-adjustable air suspension, was seen for the first time at Paris. Obviously, so was Chrysler Jeep's Grand Cherokee. This four-litre six or 5.2-litre, V8-engined rival to the Range Rover reaches Europe in January. It will be the first on-off road 4x4 with a driver's side air-bag. Although the price will be a great deal lower, it will not have the aristocratic - indeed, regal - connections that do so much for the British vehicle's image and sales overseas.

Rover also chose Paris to launch the most potent car it has produced, the 220 Coupé Turbo. This front wheel-driven, 200-horsepower, 160 mph (241 kph) two-plus-two has a traction control system to assure drivability on slippery surfaces.

The Paris Mondial de l'Automobile continues all next week at the Porte de Versailles exhibition complex. Arguably, it has upstaged the Birmingham show, which opens to the public on October 24.



Plant of the Week  
*Cyclamen hederacifolium*

*Hederacifolium* means ivy-leaved which very aptly describes the leaves of this delightful little hardy cyclamen - except that every plant is different and all are mottled dark green and silver, some more elaborately than others. The flowers are pink or white and usually produce seed freely which, in favourable places, means that the plants sometimes spread of their own accord. Sometimes they appear a long way from the parent plant. This cyclamen likes semi-shade and cool, humus-rich soil and is an ideal plant for naturalising beneath deciduous trees not too closely planted. It makes a solid tuber which gets bigger and bigger but never splits and, so far as I know, cannot be divided. Seed is the only method of increase. AH

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## PERSPECTIVES

NOTHING looks special about the killing fields of Choeung Ek. They are just fields in the country-side some 18 miles outside Phnom Penh, Cambodia's capital. But one day in 1978 a cow's hoof sank into the soil and, investigating, its owner found human bones.

There are many such cemeteries round the country, the legacy of the murderous Khmer Rouge regime which ruled Cambodia from 1975 to 1978. At Choeung Ek, 9,000 skeletons were exhumed from a series of shallow mass graves, each some 10ft across. You can walk round inside the slender tower put up as a memorial. On shelves in the middle are 8,000 skulls, labelled according to sex and age ("Juvenile female Kampuchean, from 15 to 20 years"). They might be centuries old, but they are not: had they lived, many would have been younger than me.

I asked Mr Sann, my guide - a former English teacher who trained in Singapore - if any had been identified. Only the Europeans, he giggled (Sann giggled a lot; eight or nine of these had been named and returned to their families. But he pointed to a collection of disinterred ribs under the bottom shelf. "Last year, a lady found some shorts here. Her husband's".

Outside, a notice board mourns the dead in words which are, somehow, the more disturbing for their fractured English: "We seem to be looking at the horrifying scenes and the pain-sticken faces of the people who were dying of starvation, forced labour or torture without mercy upon the skinny body, they died without giving the last words to their kith and kin."

To save bullets, many were just hit on the head with hoes while tractor engines were revved up to drown the screams. Guards are posted around the monument: Sann said they were scared to go near it after dark.

In the circumstances, perhaps there should be an eerie stillness around the memorial. But that is not so. There is a school nearby and you can hear the children laughing and playing; little girls in white blouses and navy-skirts waved as we drove by.

Down the bumpy road are stalls selling beer, cigarettes and perfum in soft drink bottles. Ordinary little houses, on stilts, have porches decorated with pictures - mostly of the Buddha, but I spotted one of a young lady in a transparent nightdress.

So, I was little wiser as to how Cambodians felt about the



Bones are disinterred from the killing fields of Choeung Ek to be placed in a monument to the dead

## Cambodia's fields of pity

John Westbrooke tries to make sense of a country's tragic past

years of terror.

The story is appalling. The Khmer Rouge rebels led by Pol Pot were welcomed as liberators after overthrowing the corrupt Lon Nol regime (Phnom Penh fell just before Saigon at the end of the Vietnam war); but, working to a plan to turn all of Cambodia into a sort of collective farm, they proclaimed 1975 Year Zero, renamed the country Kampuchea, and drove everyone into the countryside to work in the fields.

Anyone suspected of being a saboteur, or an agent of the hated Vietnamese, or of anyone else, was likely to be tortured and killed. This included any intellectuals - anyone, for instance, who spoke a foreign language; even anyone who wore glasses.

So, how did bespectacled, English-speaking Sann survive? He giggled. "My students protected me. Many of them joined the Khmer Rouge. They

remembered me and protected me and my wife and family. [Giggles]. I had to work in the country on a farm. My wife was on another farm but I was allowed to see her every month. My mother and my father and my sister were killed. [Giggles]. But my students protected me."

Why was he giggling? It seemed impertinent even to wonder.

The Khmer Rouge laid claim to an area of South Vietnam and, after a series of border clashes, the Vietnamese invaded Cambodia. Within days, the Khmer Rouge had fled. Pol Pot now lives in Thailand; the Thais, like the US, seem not to mind, on the ground that any enemy of Vietnam is a friend of theirs. Some of his former associates are still in power.

Returning Cambodians found Phnom Penh a ghost town used as a storehouse. Houses in one street were used for

keeping left shoes; right shoes were in another street across town. Its population, swollen by refugees to 3m in 1975, is still less than a third of that; of the country's 7m people, about 1m had died.

One of the things the Vietnamese discovered was Tuol Sleng, a school in Phnom Penh used as an interrogation centre. Now it is a museum; as with the killing fields, the Cambodians want everyone to see it.

Notices list the Security Regulations: "Don't try to hide the facts by making protests this and that. You are strictly prohibited to contest me... While getting lashes or electrification, you must not cry at all... If you disobey any point of my regulations, you shall get either 10 lashes or five shocks of electric discharge."

Several rooms had fresh corpses in them when the Vietnamese arrived; they buried the bodies but the rooms are

otherwise as they were found, bloodstains and all.

Most unsettling, though, is the display of victims. The meticulous interrogators photographed them all as they arrived; and the photos, row on row, hundreds on hundreds, line the walls of the old school-rooms. Almost all, 17,000 of them, were tortured until they confessed; then they were sent to Choeung Ek.

Confessed to what? What did the Khmer Rouge want of them? You can see, by stretching the imagination, why it might (for instance) have suited Hitler to demonise the Jews; but what sense can the mass slaughter of Cambodians by Cambodians have made? Can you even call it genocide when they were killing their own race?

Not all of the victims died: half a dozen escaped alive from Tuol Sleng when the Vietnamese came. One of them is still there - showing tourists

Press Review/James Morgan

## Tebbit: plain in Spain

SOMETIMES, I think it is a shame that British disputes are not conducted in Spanish. The Conservative conference's debate about Europe on Tuesday was exciting enough in English, but even Lord Tebbit gained in translation.

In the pages of *El País*, he called on the prime minister, John Major, to raise "la bandera de todos los patriotas de Europa." No longer was he the "Chingford Skinhead" but, perhaps, a fashionable 1988 Latin American terrorist on a lecture tour, or a peculiarly fanatical supporter of General Franco circa 1937.

By comparison, the French was a trifle desiccated. Tebbit in *Le Figaro* demanded, "d'a-bord une politique pour la Grande Bretagne, en suite une politique pour la Grande Bretagne et enfin une..." etc.

The Italian version was inevitably opera: The foreign secretary, Douglas Hurd, delivered the aria "Refect this folly" (*Respingete questa follia*) in *Il Sole 24 Ore*. The paper's London correspondent, Alessandro Merli enjoyed the Tebbit's speech and the reaction: "Behind his shoulders, from a podium that seemed to have been designed for the Soviet politburo in the good old days, Major and his colleagues observed him in silence with the same impassivity, and the same complexion, as the late Brezhnev."

For the Germans, of course, a day late as always, it was the textual analysis which counted. When the noble lord turned to John Major he was, according to Bernhard Heinrich in the *Frankfurter Allgemeine Zeitung*, even more deadly than in the "German" section of his speech. "You need our support, Sir, we give it to you." The cold hostile word, the insult in this sentence is the tiny word "Sir".

Heimrich noted that the former minister Kenneth Baker had defected to the "No-to-Maastricht" camp and would vote against the Treaty in spite of party obligations. He was "true to the motto of another great European, Martin Luther: 'I can do nothing else.'" Baker said that in German, and it sounded indeed like true Luther-german. That is probably the last thing the more paranoid Tories

want to hear, firm in their belief that it was 1940 all over again. But Britain does not stand alone this time round. An interesting "war of words," as Major would say, has broken out between the Italian tycoon Carlo De Benedetti and the editor of *Der Spiegel*, Rudolf Augstein.

Writing in his magazine, *L'Espresso* two weeks ago, Sig De Benedetti said, "The Italians, the English, the Spaniards and all the others... cannot pay for the containment of east German unemployment by increases in their own unemployment..." In other words, the rest of us should stop having to pay for German reunification. The article was headed "Die for Dresden? No."

Herr Augstein seemed to miss the point when he replied, "Italy should rather think of the Mezzogiorno..." Why a double standard? Should we rebel against the bad economic management of southern Italy? *Die Welt* joined in saying the "supermarket" could not be blamed for Italy's troubles and its Rome correspondent complained about the rising tide of "Germanophobia" in Italy.

Finally, what should have been a footnote last week but I came across it only an hour before the deadline and hardly knew what to make of it and the odd frisson it created. First a few words of introduction for those who have forgotten their school history.

In 1870, Kaiser Wilhelm met the French ambassador in the little town of Ems near Koblenz. The outcome of that meeting was related in a telegram, which Bismarck then edited for publication in France where it aroused great anger. Years later Bismarck said it was all part of his successful plan to start the Franco-Prussian war.

So it was that the *Börsen-Zeitung* wrote: "The publication of the views of Bundesbank President Helmut Schlesinger on the pound crisis in British papers reminds us of the vaguely understood 'Ems Telegram' from our history books."

So here is the awful coincidence. An Ems Telegram in 1870; it is, perhaps, fortunate that the pun does not work in German.

James Morgan is diplomatic correspondent of the BBC World Service.

## Columbus — the flawed legacy

Five hundred years on, Stephen Fidler assesses the impact of the famed explorer

FIVE HUNDRED years after his fateful voyage to the new world changed the shape of history, Christopher Columbus is still stirring things up. To some, he is the daring and far-sighted navigator of legend who brought civilisation and the Christian religion to a new world; to others, a greedy and small-minded, opportunistic whose actions wreaked devastation on a continent.

There is no agreement even on what he looked like. None of the thousands of likenesses being produced for the coming week's celebrations of the 500th anniversary of his first landfall in the Americas was produced in his lifetime. Authorities cannot even agree about where he first set foot on land.

The Columbus story is permeated by myth. The traditional image, as the fearless explorer, was espoused by the north Americans who 100 years ago celebrated the anniversary of his "discovery." At this time, the US thought of itself unequivocally as a European society, and European self-confidence was at its height.

From the other side, the view of Columbus as a greedy fortune-hunter often is accompanied by the idea of pre-Columbian America as an idyllic state. In fact, it was subject to periodic and violent upheavals, with cannibalism and human sacrifice an important part of some societies.

The politically correct also condemn Columbus based on a set of values of which he could not have known.

It is undeniable, however, that the term "discovery" for Columbus's voyage is loaded with Eurocentricity. The 57m people living in the Americas - this is one serious estimate, but the numbers could have been much higher or lower - were there long before Columbus tipped up. As one observer has pointed out, it was rather like President Nixon's "secret" bombing of Cambodia: to a lot of Cambodians, it wasn't much of secret.

Authoritative accounts suggest Columbus was not a wonderful navigator. He appears to

have believed throughout his life that he had discovered a new route to Asia, and his trip arose out of a miscalculation about how far it was to Japan. It is hard to question his bravery, but his navigational feat was modest. His second voyage in 1493 took a mere three weeks; he took the prevailing east winds over and the west-cries back. Once you knew it was there, it was easy.

If Columbus had not sailed, the Indian "idyll" would undoubtedly have been destroyed by other Spanish adventurers soon after. The Spanish monarchy was in a desperate search for capital: after centuries of fighting, the Arabs were expelled from the Iberian peninsula in 1492.

During the same year, Jews who refused to convert to Christianity were ordered out. Not surprisingly, they took their money with them. Although Columbus had touted his idea to other royal courts, only at the Spanish was he able to make an impact.

The impact of this was to be devastating: some estimates suggest the native population of Latin America was reduced by 90 per cent within a century. The urban cultures of the people often were treated with horrific savagery by the new settlers, most of them died through disease.

Their pathetic revenge: syphilis. Although it existed already in Europe, the American strain was highly virulent. The returning adventurers brought it back and the great pox swept the continent.

Columbus and his successors over the next 30 years paved the way for the development for the first time of the "global" economy. With the silver dug out by hapless Indians from the mines of Spain and Mexico, Europeans paid for the spices and other goods which were being brought from Asia. Moreover, tobacco, potatoes and other products from the new world were to change the habits of the European people.

The interaction of the Spanish and the various Amerin-



Faces of Columbus. Top left, clockwise: a 16th century portrait; a painting by Lorenzo Lotto in 1512; engraving from a portrait by Mariano Maella, late 1700s; engraving from a portrait by Charles Legend in 1838. From Columbus: His Enterprise, by Hans Koning, Latin America Bureau, £4.99, 187 pages

dian cultures differed from region to region, the consequences of which can still be seen. The urban cultures of the densest population - in Mexico, and of the Andean societies - were easier for the conquerors to force into the colonial economy. In Brazil, however (colonised by the Portuguese), and other regions, the semi-nomadic natives could not be made to work. As a result, large numbers of Africans were transported to the region as slaves.

The nature of medieval Spanish society was to make a permanent mark on Latin America. It was also to permeate the north, becoming tied up with the myth of the wild west. Spanish cattle farming techniques of the 12th century - such as branding, lassoing and round-ups - were taken to the plains of South America before they migrated north.

More fundamentally, the relationship between the Span-

ish ruling elites in Latin America and the Spanish monarchy reflected that which existed between the monarch and the Spanish baronies. This gave the colonial elites great discretion to run their affairs, and to control indigenous populations, as they pleased.

The rulers of the newly-independent Latin nations continued this tradition in the 19th century, viewing the Indians as a threat to their emerging nationhood. The consequences of all this can still be seen in the sharp racial divisions in countries such as Peru, where the ruling elite still largely considers itself European.

Another reason why Columbus manages to arouse such high emotions, five centuries after his voyage, is that the issues raised by the European colonisation of the Americas, and the subsequent transport

of huge numbers of Africans to work there, have yet to be resolved.

America's poor are overwhelmingly black or Indian, and the social injustices of the European entry to the new world have not yet been addressed. Following a decade which has seen a growing gap between rich and poor in North America (because of the Reagan years) and in Latin America (because of the debt crisis), this has hit a chord.

Columbus set in train a clash of three cultures: European, Amerindian and African. The Indians and Africans did not voluntarily become adjuncts to the European economy; they were forced to participate and, in its name, they suffered agonies.

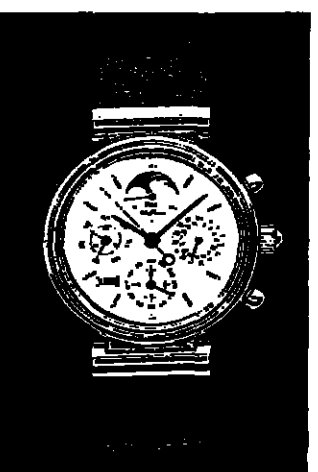
The collision between the Indians and Europeans was inevitable. Historian Edwin Williamson points out that the two groups had incompatible expectations: Spain had a monetary economy in which gold was a scarce resource and power was determined by control over labour.

The people of the Caribbean islands first encountered by Columbus lived in a subsistence barter economy in which gold had an ornamental role and the idea of labour service had not developed. The difference confirmed the European prejudice, still to be heard in Latin capitals today, that Indians are "lazy."

The anniversary of Columbus appears, however, through media coverage, to have raised consciousness in many parts of the world about the lot of the American Indian. The prospect of celebrating the event, which many view with horror, has made the Indians themselves more conscious of their own identity, and encouraged some to use the mechanisms of Latin America's young democracies to assert their rights.

Five hundred years after his voyage, Columbus might have performed a belated service for Latin America's native cultures after all.

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## FASHION

# One small voice is heard in the land of the giants

*Avril Groom explains why London is such a worthwhile launchpad for talented young designers to show their potential*



Autumn style from Rifat Ozbek, a nominee for Designer of the Year in the British Fashion Awards. His spring '93 collection was a highlight of the Milan shows this week

**T**WICE A year, between the ready-to-wear giants of Milan and Paris, the London designer shows flare briefly over a weekend, invariably amid trade and media soul-searching as to whether they are necessary and viable. The British Fashion Council says the clothing industry is healthy, worth £6.4bn, including £2bn in exports, an increase of 8 per cent this year. The industry employs 180,000 even in this deep recession. So why the designer worries?

The problem is that "clothing", rather than "fashion", sums up most of the British industry. John Wilson of the BFC estimates that the high-profile designers revealing their wares for next spring this weekend account for only about 2 per cent of the total and that any of them turning over more than £1m per year are doing well. Yet, ever since the Swinging Sixties put London creativity on the map, they have exerted an influence out of all proportion to the size of their businesses.

Britain's talented and underfunded designers must try to attract as many international buyers and press as the vast, industry-backed circuses of Milan and Paris. They export nearly 70 per cent of their production, against 26 per cent for the rest of the industry. British designers who take their shows to the other capitals in an attempt to tackle the wider market are reviled as unpatriotic. This year the annual British Designer Awards has become embroiled in controversy over what is "British". Some designers have declined nominations because they disagree with the entry criteria.

This dispute risks making the one British fashion event of the year that gets serious national TV coverage look ridiculous. It also risks the accusation that British fashion is about nothing but squabbling in a very small arena. But all is far from gloomy. The London Designer Show is the most attractive, best-organised exhibition and catwalk venue in Europe and, by clever juggling of sponsorship, the organisers are able to keep prices at a level to which designers without vast backing can at least aspire. Those who choose to show elsewhere in London still attract buyers, either because, like Jean Muir, they have shown in the same place for years and their customers know where to find them, or because they are young, new and impeccable in which case the buyers will come lest they miss a new talent.

The buyers' eye for creati-

ty may be even more important this year - so far the international response looks more promising than for some time and the devalued pound must help.

Annette Worsley-Taylor, show organiser, says: "Now the longer skirt is well-established there is a feeling that fashion needs something else new and exciting. The buyers' hunch is that London may possibly offer it. Designers here aren't into big, glitzy, supermodel-packed shows but buyers have had enough of those and there is now a recognition that British fashion is not just tweed and knitwear on the one hand and wacky street fashion on the other. We are increasingly known for well-designed yet interesting, beautifully-cut clothes."

Worsley-Taylor insists that government and industry support for designer-fashion exports is essential if British designers want to move into the European market. Yet this is where the quandaries start. Once backing, sometimes from international companies, is provided, there is a tendency for designers to show abroad, especially if that is where their collections are made.

**A**s John Richmond, who shows spectacularly in London and is for the first time a nominee for Designer of the Year, says: "In the end you have to go to the centre, and that is Paris. I am looking for agents to sell my diffusion range in Europe in a year's time. If that works out and we expand as a result then we will probably move the show."

But those moving on from London clear the stage for newcomers. This season several excellent designers, such as Jasper Conran and Ally Capellino, who have not been able to afford a show for some years, have corporate help from Marchpole, part of the French Biedermann group, and Costa Viryella respectively, which will give them the well-deserved exposure that a catwalk show brings.

Industrial support for European designers helps explain Continental fashion's gloss and efficiency. Finally the same kind of links are happening in the UK, though they will work only if they are light-handed enough to allow the designers full creative play.

Meanwhile, young and as yet unsponsored talents arise and London is a comparatively inexpensive launchpad. John Richmond has been pushing for years to make London an international showcase for young designers. "We haven't the resources to be the same as



Monochrome organza from Amanda Wakeley, hotly tipped to win the glamour section of the British Fashion Awards. The winners will be announced at a charity gala in London on Monday

Paris or Milan", he says, "so we need to establish ourselves as something different. As we are known for creativity we should move in that direction." As a huge fashion-selling powerhouse Britain may always be outgunned by France, Italy and Germany. But as a breeding ground for innovative designers Britain seems to have arrived.

## Fashion images

YOU could invest in a little fashion world glamour this weekend at a sale and exhibition by almost 100 fashion and portrait photographers.

Images include vintage shots from 1960s names such as Barry Lategan and Clive Arrowsmith, David Bailey's pictures of Jean Shrimpton, portraits by Linda McCartney and work by Sheila Rock and Ramonn McCabe. Proceeds will go to the Fashion Acts Aids charity, in memory of photographer Stevie Hughes, who, before he died from Aids last year, donated some of his work for the show. It is at The Work, 350 King's Road, London SW3, from 10am to 6pm today and 11am to 5pm tomorrow.

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## HOW TO SPEND IT

## Bargains across the water

*Sterling may have slumped against the dollar, but buying from the US still makes sense if you know what you want, says Lucia van der Post*

AS THE dollar, the pound and the yen, not to mention the lira, the peseta and the escudo zig-zag, sorry, float, around the world's markets, those who keep their eyes on the dollar will find that there are spectacular bargains to be had.

Now that credit cards, faxes and answering machines are an established part of most commercial life there is hardly a country in the world, or an hour in the day, when the shopaholic is out of danger. From a sitting-room in the Outer Hebrides, a farmhouse in Wagga Wagga or even a hut in Timbuktu, goodies can be summoned from Bloomingdales in Manhattan, discount stores in the mid-West of the US, from exporters in Singapore, boutiques in Hong Kong. All you need is your flexible friend and a telephone or fax.

The most accessible market of all to those of us who live in Britain is the US, where a sophisticated infrastructure of toll-free phones, credit card friendliness and a culture of making shopping care-free means it is almost as easy to shop in Los Angeles, Chicago and Detroit as London, Edinburgh or Reading.

The man who has done most of the legwork for those who fancy taking advantage of lower US prices without forking out the air fare is Richard McBrien, whose pamphlet, *Buying Direct From the USA*, is the bible of the business. A new edition is published this week.

Apart from the list of mail order companies, with their telephone numbers (some toll-free), he also gives British equivalents of Ameri-

can clothes and shoes sizes, electric voltages, and a rundown of shipping costs, insurance, duty and VAT.

Though the palmy days of the two-dollar pound are for the moment past (as it stands at \$1.65) McBrien is still convinced that, for whole categories of goods, buying from the US makes sense.

Those who travel frequently to the US will already have wondered at the low prices of clothing, sports-wear (golf clubs, tennis balls, tennis racquets, ski-wear are half price or less compared with the UK), cameras, CDs, electronics and computers, but there are other good buys.

Contact lenses, for instance, are light and easy to post - you can just fax your prescription to the National Contact Lens Center, Santa Rosa Optometry Center, 5527 Bonita Vista Drive, Santa Rosa, CA 95404. A colleague bought a French horn from Giardinelli of 7845 Malaga Drive, Liverpool, NY 13090. (tel: 315 652 4792; fax: 315 652 4534) for about half the UK price, and though shipping would have added to the cost (he brought it home himself) he still reckons it was an exceptionally good buy.

Certain cult names such as Patagonia have only limited distribution in the UK so those who want goods that are not yet in the shops might like to browse through the full brochure - beware, though, that the prices which seem so cheap at first do not look so attractive when postage, duty and VAT are added.

Rayban Wayfarers sunglasses, another cult item in certain circles, sell for something like £69 in the UK but cost \$60 in the US and have the advantage of being easy to post.

Another attraction is the chance to buy items which are not available over here at all - things such as Sheplers Western goods, shirts, mountaineering, skiing and other outdoor gear. Then there are more esoteric goods such as woodworking tools (but beware that electrical goods may not work in the UK unless the voltage can be switched) or model kits which, according to McBrien, are particularly well-priced in the US. And for those who cannot live without a "liquid gold sizzling jumpsuit", Bloomingdales will sell you one for just \$135.

The best value of all turned out to be goods such as computers and software. A Microsoft Word for Windows software package costs the equivalent of about £188 when ordered from Express Technology. With a 19 postage and packing charge but no duty added it works out at well under half the average retail price in the UK of £395.

As an exercise we rang many of the companies listed in the third edition of McBrien's *Buying Direct From The USA*. We were often faced with answer machines (he has excellent advice on how to telephone as economically as possible) and, more often than not, an agreement to send a catalogue was not followed by action, so you need to persevere. Mail order companies come and go and telephone numbers change, which is why McBrien aims to update his pamphlet every six weeks. The big established companies such as Saks Fifth Avenue, Bloomingdales or Patagonia were, as a rule, more efficient than the less established names.

Of many items that we checked

out, it emerged that though initial savings seem to be huge, the cost of postage and packing, insurance and duty can make it uneconomical after all. So remember you should not do it all on automatic pilot - you should watch the dollar's movement against the pound and do some careful arithmetic before deciding if it is worth it.

A reader who got carried away by the L.L. Bean catalogue and ordered three turtleneck sweaters (two for the knock-down bargain price of \$8) and a pair of trousers for a total of \$78 (£43.80) found that shipping via Federal Express cost \$35.

"When the goods arrived," her letter goes on, "Federal Express required a payment of \$21.37 for import duty and VAT, an amount which I thought extraordinary considering the dollar value of the goods. On calling Federal Express for an explanation, I was told that the total value of goods and shipping, ie \$113, was converted to £82.94. Duty at 14 per cent was calculated on this amount. The duty was then added, bringing a total of £71.75, and VAT at 17.5 per cent was imposed."

She adds ruefully: "The clothes were probably still good value, largely due to the sale price for the turtlenecks, but I am not sure if I will be ordering anything further unless there are some changes to the charges levied."

*Buying Direct from the USA* by Richard McBrien costs £12.95 and can be ordered from Running Heads International, Grove House, 82 East Dulwich Grove, London SE22 8TW. Telephone and fax 071-738-4086. Coming in January is *Internat-*



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## A new twist for old rugs

FOR MOST lovers of Oriental rugs old, traditional designs, handed down from mother to daughter and from father to son, are an essential part of their appeal.

Anything new-fangled or, heaven forbid, avant-garde, is regarded with grave suspicion, on a par with altering the pageantry of the Changing of the Guard or tampering with the recipe for Bath Oliver. Received wisdom has it that you do not mess with ancient hallowed crafts.

Christopher Farr, a painter who also deals in Oriental rugs and who especially loves fine old, traditional ones, has dared to do just that - he has found a way of combining some of the best Western design talent with the craft traditions that are still alive in many of the Turkish villages that lie around the ancient pre-Ottoman capital of Seljuk.

He found, to his great surprise, that many of the carpet-makers were longing for something a little new and challenging to work with. Many of them were giving scarcely any thought to what they were doing; they were simply repeating the designs handed down through the years without any great engagement of their interest or their feelings.

Farr thinks the quality of the rugs is threatened not by the introduction of new designs but by the increasing reliance on cheap wools and harsh dyes and the evident boredom of many of the carpet-makers.

"A design is not automatically great simply because it is old," says

Christopher Farr, "I could not build a business on the finest quality old rugs alone - they are now too expensive for this market - so I decided to try to encourage the carpet-makers to make fine new ones."

"I insist that they use only hand-spun wool. It is very labour-intensive and time-consuming but it gives light and depth to the carpet and takes colour in a way that no machine-spun wool ever does. For his first venture three years ago he got two young designers, Sian Tucker and

*Lucia van der Post on a dealer's fresh look at tradition*

Kate Blee, to produce a few designs that fitted into the Turkish weaving traditions and used the colours that were available to the weavers.

Encouraged by what he describes as the limited success of the venture last year he brought together a group of six students at the Royal College of Art to turn their creative talents to the problem.

"It was a huge success, about five hundred top designers came to the opening exhibition, including luminaries such as Christian Lacroix, and we sold all the eighteen designs on display."

His latest venture has been to get another eight designers (including the

original pair of Sian Tucker and Kate Blee, as well as Maxime de la Falaise, who designs for St. Laurent and Tiffany, Cressida Bell and Sally Greaves-Lord) to see what they could come up with. "The weavers seemed to love having new designs to tackle and were intrigued by the range and diversity of the them."

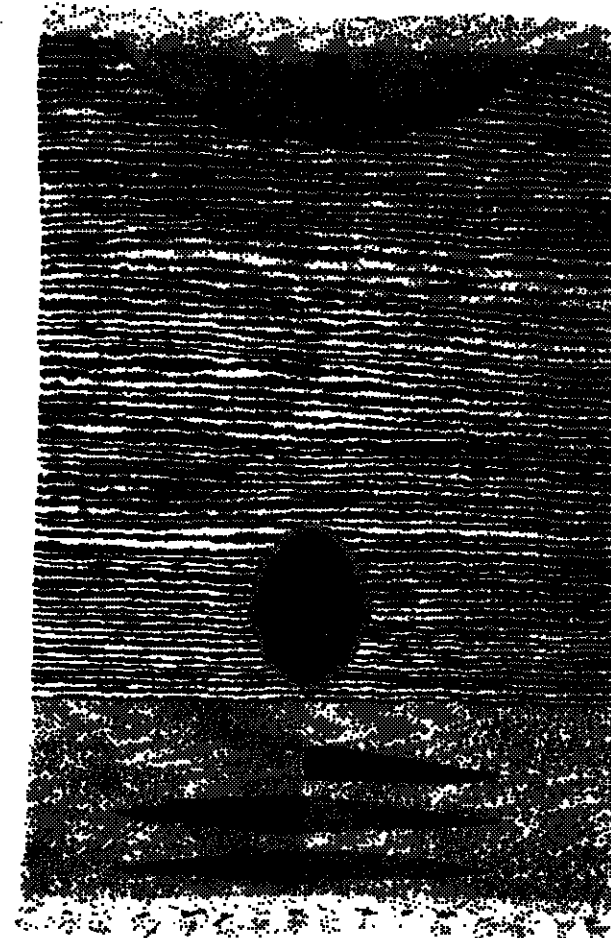
The range of designs is very varied - some, like Cressida Bell's, photographed left, clearly draw on traditional oriental rug design whilst infusing it with new life and fresh colours, while Sally Greaves-Lord's design, photographed right, is much more abstract, a real break with accepted ideas of what Oriental rug design is all about.

Sian Tucker has produced a very painterly design - a dark chestnut frame or "mount" with an inner square alive with smaller squares of rich colour, while Maxime de la Falaise has produced a much more fanciful flat-weave kelim, all ochres, blues and browns.

The rugs are coming into Christopher Farr's shop at 115 Regent's Park Road, Primrose Hill, London NW1 now but there will have a more formal, big exhibition of the complete range running for six weeks, starting on November 4.

Prices start at £750 and go on to £2,250. Each rug is produced in an edition of 10.

Christopher Farr has lots more ventures in the pipe-line - particularly exciting is the interest of Romeo Gigli, who is likely to be designing some of the next range.



Zulu by Sally Greaves-Lord, 2.21 by 1.53 metres, £1,550.

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## Conran comes to Paris

FOR YEARS the Conran Shop has towered over the London design scene. There are other shops selling contemporary furniture in the city. But it is the only place where you can buy virtually everything, from a sofa to a soap dish, and where you are tempted into spending more than you had expected.

The Conran Shop yesterday opened for business in Paris in a fin de siècle building on the corner of rue du Bac and rue de Bayonne in Saint Germain. Sir Terence Conran, who created the original Conran Shop in 1973 and bought it back two years ago when he left the Storehouse group, has been planning the Paris opening for five years.

"We've opened the Conran Shop in Paris for exactly the same reason that we opened in London," says Sir Terence. "There are lots of good, small, interesting shops in Paris selling similar sorts of things but nowhere can you find it all under the same roof."

Sir Terence is probably right. Paris is wonderful for antiques thanks to the *Marchés aux Puces* and the specialist dealers straggling the tiny streets between Boulevard Saint Germain and the Seine and there are also many more shops selling 20th century classics such as a Le Corbusier *chaise longue* or an Arne Jacobsen Swan chair, than in London. But it is difficult to find the classic Conran Shop style of quirkily classic



The Conran style as it arrived in Paris this week

contemporary furniture design in Paris.

The range for the Conran Shop in Paris, which stretches over three floors in the Bon Marchés old storage depot now renovated at a cost of £3.6m, is almost the same as in London. There is the same mix of the store's own furniture (which will be shipped over to French customers from the British factories) with classics, such as Joe Colombo's 1960s Boby trolley, and cheaper treats, Czech & Speake toiletries and hand-made chocolates.

The French like their sofas smaller and firmer than do the British, so some Conran Shop classics, such as Odeon, a best seller in the London store, were rejected as too big and squashy. The French also have different taste in beds, so a special range has been commissioned in France.

The critical question is whether the French, who are

notoriously chauvinistic about anything to do with style, can be persuaded to buy British for their homes.

There is the great advantage that Sir Terence already has a high profile in France as the founder of Habitat, which has recently been conspicuously more successful in the French market than the British. Sir Terence is also known as an ardent francophile - one of the few traits that the French consider to be redeeming in foreigners.

Sir Terence envisages "very gentle, very modest" expansion for the Conran Shop into other cities. But his plans depend on the progress of the new Paris store and whether the French design cognoscenti take to Conran Shop sofas and soap dishes as enthusiastically as their counterparts across the English Channel.

Alice Rawsthorn

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## FOOD AND DRINK

# Fine wines from the Chilean heartland

**G**ILBERT ROKVAM, Château Lafite's chief oenologist, casts a worried glance at the darkening sky that promises rain. As the first heavy drops begin to fall, Rokvam resigns himself to the fact that there will be no grape-picking this afternoon - a minor irritant towards the close of a vintage that has otherwise gone like clockwork.

But this is April and Rokvam is in the wine heartland of Chile, 8,000 miles away from Bordeaux. Five years ago, a small, family-owned vineyard called Los Vascos caught the eye of Baron Eric de Rothschild. He bought half of the estate, joining a select group of foreign vintners who are quietly awakening Chile's potential to produce fine wines.

Miguel Torres of Spain was the first to declare Chile a "wine-makers' paradise." He owns more than 500 acres in the Central Valley. Torres was followed by Baron Eric, California's Franciscan Vineyards, and most recently by Bruno Prats of Château Cos d'Estournel with Paul Pontallier of Château Margaux. A survey by the Wine Spectator found Chile to be the most popular destination for foreign wine investors.

They are being lured by inexpensive land, the virtual absence of vine pests and an ideal climate. The narrow Central Valley, bounded by the Andes to the east and rolling hills by the Pacific coast, has hot, dry summers cooled by ocean breezes at night. This, according to the experts, brings out the best flavours in the fruit.

All that was missing was expertise and technology to modernise an industry as old as the Spanish conquest itself. Back in the 16th century, soldiers marching south from Peru brought grape seeds in their saddle-bags and Jesuit missionaries planted the first vines just south of Santiago. Admiral John Byron, the poet's grandfather, found solace in Chilean wines after being shipwrecked off Cape Horn in 1768. "The haciendas, or country homes, are very pleasant, having fine olive groves and large vineyards," he wrote.

It was around this time that the Basque forefathers of Jorge Eyzaguirre and his wife founded their vineyard at Los Vascos. And although wine-making is synonymous with blue-blood in Chile, Eyzaguirre says the industry was

moribund 10 years ago.

"We produced heavy, old-fashioned wines. When I started travelling abroad in the early 1980s, I discovered that my wine was unsellable," he recalls without shame. His search for a white knight led him to Baron Eric. The partnership was sealed in January 1989, but not before Rokvam had tested Los Vascos against 167 other Chilean wines during a frantic week in Santiago.

The pace has not slackened since. A new winery was built in 60 days, in time for the March harvest. "I got rid of everything," says Rokvam. "The large wooden vats, very quaint but useless, the old wine presses, the concrete tanks."

The shining steel structure that houses Los Vascos' state-of-the-art winery and cellars may lack the romanticism attached to wine-making, but it has alerted Chile's wine aristocracy that viticulture today has much more to do with science than with traditions handed down through generations. They have been quick to learn. Technological innovation and vineyard management are now the buzz-words throughout the Central Valley.



Foreign vintners are quietly awakening to Chile's wine potential

At Los Vascos, maceration takes place in temperature-controlled stainless steel tanks. Rokvam brought French oak barriques made at Château Lafite to age the Cabernet Sauvignon.

He introduced cold fermentation for the Sauvignon Blanc and Chardonnay. Only the grape-harvesting is done by hand. The revolution has been so complete that Eyzaguirre refers to his pre-89 vintages as "Old Testament."

Rokvam says he was at first cautious about applying the methods used at Château Lafite so far away from home. After his fourth vintage at Los Vascos, he no longer has any doubts. "We are creating a French chateau in Chile in the tradition of great Bordeaux wines," he says.

The Domaines Barons de Rothschild calling card has also opened

up foreign markets. Almost the entire production from Los Vascos' 550-acre estate is now exported to 24 countries. There are only two ways of tasting their wines in Chile: an invitation to lunch at the Eyzaguirre's hacienda, or dinner at Balazsar, Santiago's most exclusive restaurant.

Los Vascos is one of only four vineyards which produce 100 per cent estate-bottled wines in Chile.

Eyzaguirre plans to keep it that way, though demand now far outstrips the 150,000 cases he can supply each year. He is expanding his vineyard, but, he reflects, even the race to produce world-class wines requires patience.

Los Vascos wines are available from Fortnum & Mason and branches of Bottoms Up.

Leslie Crawford



The perfect breakfast: The Ritz, the Prado and the FT to browse through

## Grand Hotel

# Relishing a right royal lifestyle

**I**MAGINED the Duke in his later years. Sitting at the window. Quietly. Knitting.

I sat there too, one hot afternoon in Madrid, looking out over the city's rooftops.

It was 32°C (90°F) outside and too hot for comfort. Inside the air-conditioned hotel suite the French carriage clock timed the silence of the years.

Occupying the Duke and Duchess of Windsor's former suite at the Hotel Ritz, with its splendid views over the Prado and with the Ritz park a mere limousine's length away, I felt part of another more dignified age.

It was touching to think of the aged Duke sitting at the hotel window willing away the hours, perhaps trying to marshal his fading memories of England, as the years took their toll.

Royalty has always loved the Ritz. But the days when dukes, duchesses and counts took up lengthy residence have virtu-

ally disappeared and the international business traveller is beginning to usurp its regal corridors. Of course, royalty still visits "but it's for much shorter periods now," concierge Luis Garcia said wistfully.

A haunt of Europe's royals since Alfonso XIII founded the hotel in 1910, it is now favoured not so much by the captains of industry as by the supreme commanders. The president of Sony, is a regular. But even the most bid-weary businessman cannot ignore the handwoven carpets, the fresh white linen, the enormous bowl of fruit, the special chocolates and the marble-tiled gold-tapped bathrooms that are part of its grand style.

Neither can they ignore the antique prints, the droplet chandeliers, the beautiful flowers - the hotel has its own florist - or the chairs with tassels on the tassels.

Nevertheless, audio/visual equipment, simultaneous inter-

preters, bilingual secretaries, a limousine service, mobile telephones, personal fax lines and virtually any computer you care to name may, these days, be uppermost on the thoughts of many who choose to stay.

"Our guests are people who travel the world the whole

capital.

The restaurant is still very much a place to see and be seen. Dining at the next table when I was there last month was one of Spain's leading politicians, José Bono Martínez, the president of Castilla-La Mancha.

Unfortunately, I caught the hotel between chefs, the former French chef having left to start his own business in northern France, so it is difficult to say what the food will be like under the new regime.

But new it will be. Alfonso Jordán, the dynamic general manager, is keen to put more emphasis on Spanish cuisine - hence the search for a top Spanish chef. This is as it should be. An outstanding Spanish hotel should offer outstanding Spanish food.

I chose simply grilled hake with a tomato concasse. It was perfectly cooked and wonderfully fresh. The city is famous for its seafood, which always strikes me as odd given Mad-

rid's geographical position at the heart of Spain.

The wine list could do with a little attention - there are one or two wines which are, perhaps, not worthy of such an hotel - and maybe the waiters who scurry around so self-importantly could be prepared to catch your eye a little more often. Minor quibbles perhaps, but then you are paying for perfection. And perfection does not come cheap. Room prices start at Pta 45,000 (£254.23) for a double room and Pta 39,000 for single occupancy.

Those who have found the money over the years have included the honeymooning Rainiers, the Prince and Princess of Wales, diplomat Henry Kissinger, UK premier Margaret Thatcher, actors Kirk Douglas and Warren Beatty... the list goes on.

Hotel Ritz, Madrid, Plaza de la Lealtad, 5-28014 Madrid is a Forte Exclusive Hotel of the World. Tel: 521 28 56 57. Fax: 532 87 76.

**Jill James is pampered at the Ritz in Madrid**

time and they want to be received with respect and privacy by human beings and not by robots," said Mariola Calderon, the hotel's spokeswoman. Its guests also like to eat well. And the terrace restaurant is the place to unwind after a hard day on the screen face. It has a wonderful ambience - you sit in a blue and green oasis in the heart of the

## Eating Out

# Tradition and invention

**C**AEN HAS its moments, but on the whole it is not an attractive place. Like much of Normandy, the city was heavily fought over in the weeks following D-Day in 1944 and Allied bombing ripped out the heart of Caen.

The present centre with its uniform blocks looks rather east European, even if it lacks the Stalinist frigidity of, say, Le Havre.

Pockets of old Caen remain, however, and it is in one of these pockets that Normandy's best restaurant is to be found. La Bourride is owned by Michel and Françoise Bruneau. Michel has occasionally been called the "Paul Bocuse of Normandy" after the chef who revived Lyonnais cooking.

Normandy needs its Bocuse: gastronomically speaking it has little of the cachet of Burgundy or the Rhône Valley. Most of its one star restaurants, like the Lion d'Or in Bayeux, for example, have a faded, dowdy air. There are no Michelin three-star restaurants: La Bourride has two, and two is as good as you will get in Normandy.

In one of those defamatory statements which levels itself at the eating habits of various French regions - elsewhere in Normandy there are *mangeurs de choux* (cabbage-eaters) and even *mangeurs de carreaux* (crow-eaters) - Caen is written off as "Caen-les-Tripes." The famous bowl of *tripe à la mode de Caen* cooked with carrots, cows' feet and a dash of calvados, is not on the menu here; but that does not mean that Bruneau shuns the earlier legacy of Norman cookery. Andouilles and andouillettes (respectively dried or fresh tripe sausages) are also part of the culinary vocabulary of the region and Bruneau uses andouilles either pickled in cider or as *copieux* slices arranged round a

timble of potatoes and leeks on a cider-based *beurre blanc*.

Bruneau is happy to use local ingredients whenever he can, from the newly launched Norman foie gras to the rather better known products of local pasture and shore-line. More exceptional perhaps, is his tolerance of cider drinking in his restaurant.

Good Norman cider forms a pleasant half-way house between the sort of lip-puckering brews which win prizes in the English west country and the sugary, carbonated, semi-fermented

Elsewhere on the menu, La Bourride offers both a menu entirely composed around scallops and another made up of three courses of lobster. Lentils and truffles figure on both menus.

Normandy's most famous meat is the salt-meadow lamb of the Cotentin and the Avranchin. Bruneau cooks the local lamb in a Moroccan-inspired dish with dates and lemon. A better kept secret is Norman beef. Here the fillet is served with a sauce made with dark rum.

The cheeseboard is a considerable test of quality in a modern restaurant when the laws of most countries require cheeses to be kept at temperatures which inhibit ripening. Bruneau had a beautifully ripe Camembert from Carrel with a good cabbagey pungency and a rather milder Pont l'Évêque from Levallier. The cheese board comes into its own from May onwards.

One of the most interesting desserts chez Bruneau (if you have any appetite left by this stage) is the *Symphonie autour d'une pomme*, which we might translate as "symphonic variations on the theme of an apple", where all manner of apple puddings are served up. A less lyrical apple soufflé with calvados proved a mite dry. Whether you have the *symphonie* or not, an array of petits fours comes with coffee: little choux pastries, pralines, tiny cakes etc.

La Bourride is an intelligent blend of local, Norman tradition and culinary invention. Michel Bruneau needs just a little more brilliance in his combination of these delicious ingredients to carry him up to the higher reaches of the firmament.

Information: La Bourride, 15-17, rue du Vaugueux. Tel: 31. 93.50.16. Closed Sunday and Monday. Menus at FF228 and FF497.

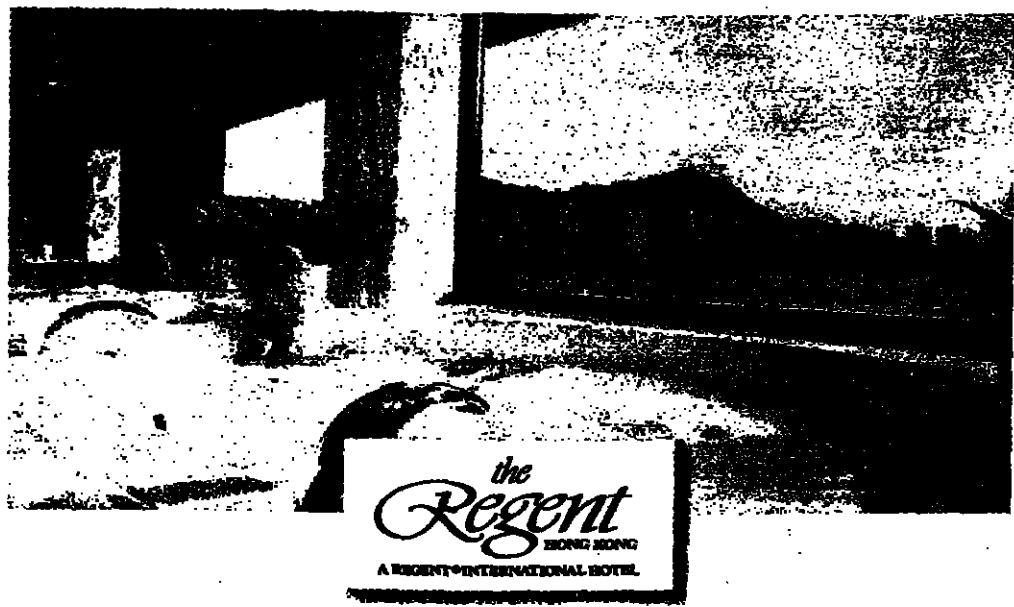
**Giles MacDonogh enjoys Michel Bruneau's Norman restaurant**

apple-juice which passes for cider elsewhere in Britain.

A farmhouse cider like that from Courtemanche we tasted at La Bourride can have a touch of sweetness to it when the fermentation has not altogether come to an end. Cider fermentation can go on for a year. A fully fermented cider like that from Desfriches has "breed" but its bone-dryness might put some English people off drinking it.

Fresh fish is naturally popular in Normandy. There are numerous preparations in the classic cuisine which adopt the names of Norman ports such as Dieppe or Trouville; or indeed, served with a sauce of white wine and cream and labelled *à la Normande*.

Bruneau eschews the creamy, Norman style. A *turbot aux cepes* relied more on the exactitude of its cooking and the full flavour of the cepes.



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## SPORT

Racing/Michael Thompson-Noel

# Vested interests who sustain the big lie over prize money

ONE OF the biggest lies in sport is the one that claims that prize money levels in British horse racing are too low to guarantee the sport's long-term viability, or to offer racehorse owners a fair return on their investment.

The truth is more prosaic: prize money in British racing is smaller than some people would like it to be. But that is a mouthful, and not very sexy, so you must never hear it. Instead, the lie itself - that the future of UK racing is being jeopardised by insufficient prize money - is shouted from the rooftops by those with the greatest vested interest in perpetuating the whopper: racehorse owners, breeders and trainers, mainly, plus the hacks of the racing media who fawn on them like spaniels.

The lie always sounds best in a recession, when the ability of owners to resist pressures to cut back their racing interests - or quit - is weakest.

The latest muttering and fuss-making was caused by reports that the Maktoum family of Dubai, which dominates British racing, may consider reducing the number of racehorses it has in training in Britain (approximately 800), and sending some to be trained and raced in the US, France and Germany.

The Maktoums would be doing this, the doomsters claim, to boost

their racetrack earnings and thumb a nose at the UK government, which taxes betting turnover heavily and charges a far higher value added tax on bloodstock sales than France or Ireland, for example.

Because their racing interests are huge, it would be a wonder if the Maktoums did not, periodically, assess the size and shape of their racing empire, and reallocate horses accordingly. But the claim that low prize money is endangering the sport's future in Britain is risible and dishonest.

For a start, racing is a fully international business. It has been so for decades. To listen to the whingers and special pleaders, you would think that UK racehorse owners were restricted, by decree, to running their horses in Britain, where prize money is less generous than elsewhere. In reality, owners are free to send their horses on lucrative raids to mop up foreign prize money - and they do so, with a vengeance.

The reason that most UK owners have most of their horses stabled and trained in Britain is so they can visit them in the training yards and watch them on British tracks. But horses that are good enough can range far and wide. They have their own passports. They jet to Europe, or America - sometimes Japan. Having grabbed a foreign prize, their owners jet them back again - back to their British yards, to

weary, run-down Britain.

Take last weekend. In Paris last Sunday the British-bred, British-owned, British-trained star filly, User Friendly - a multiple classic winner - finished second, beaten a neck, in the Prix de l'Arc de Triomphe, Europe's greatest race, and earned £205,550 in French prize money to add to her career haul (six races: unbeaten) of £323,505.

But User Friendly was not the only UK raider at Longchamps last weekend. Last Saturday, UK-trained horses finished third and fourth in the Prix de Royallieu, second and fourth in the Prix du Cadran (won, as it happens, by Lord Weinstock's French-trained Sought Out), first and second in the Grand Criterium, third and fourth in the Prix Dollar and third in the Prix de Lutèce.

Last Sunday, in addition to User Friendly in the Arc, UK raiders finished second, third and fourth in the Prix du Rond-Point, third in the Prix Marcel Boussac, first, second and third in the Prix de l'Abbaye, and third in the Prix de l'Opera.

How much prize money did these 18 horses collect for two wins, five seconds, seven thirds and four fourths in 48 hours at Longchamps last weekend? Answer: £595,477 in crisp French francs. Nor was that all. A UK-trained horse won in Florence last Sunday and another won in Milan. The day before, Perpendiculaire, owned by Lord Howard de Walden and trained at Newmarket

by Henry Cecil, won a £38,245 race at Hoppegarten, Germany, while the UK-trained Sheikh Albadou was second in the Vosburgh Stakes at Belmont Park, New York.

In short, UK-based horses are capable of winning sackfuls of foreign prize money, most of which is repatriated to Britain where owners are free to recycle it in any way they choose - more racehorses, possibly.

To claim that British racing is in jeopardy on the grounds that prize money is relatively stingy when averaged out among thousands of runners is simplistic nonsense. What has to be acknowledged as part of the equation is UK owners' ease of access to foreign prizes; their considerable success on foreign tracks, and the prestige and enjoyment they derive from owning horses in the first place.

All owners are rich, by definition, and most like a gamble. Sometimes these pay off. Yet the rewards of racing are usually reported in isolation, on the sports page, the day after a big race. Seldom are they incorporated into subsequent media discussion of prize money levels or acknowledged by the numerous pressure groups that make racing Britain's most squabble-driven sport.

What owners fantasise about is buying or breeding a horse of the supreme quality of User Friendly - and sometimes they succeed. User



Family affair: Bill Gredley (right) with User Friendly, rated one of the best European fillies of the past 25 years

Friendly's prize money total is now £729,455. Moreover, she stays in training next year, when her winnings could soar well past £1m.

Her training costs to date - ball-park figure - are probably a little over £15,000 (she was not raced as a two-year-old), plus big-race entry fees. Net earnings to date, therefore, approaching £700,000. She was sired by an English Derby winner, Slip Anchor, so she cost her owner-breeder, Bill Gredley, a goodly sum to produce. Yet her capital value, this weekend, far exceeds her production cost, and cannot be far short of £1.25m.

With potential rewards of that magnitude, you would think owners would be more circumspect in their

constant pleading for far higher UK prize money. In that you would be wrong. Many of them beg shamelessly - especially the aristocrats.

In recent times, UK prize money has seen-sawed, because of the recession. But now it is rising again. In July 1991, the Horserace Betting Levy Board, which levies bookmakers' turnover and allocates funds for the benefit of racing, said that its prize money contribution in 1992 would total £17.5m, a fall of £5.6m on the revised 1991 allocation. However, four months ago, because of changed circumstances, the board said its 1992 allocation would be raised by £1.7m, to £19.2m, and that its 1993 contribution would be boosted to £20m.

For sure, UK prize money levels are poor when contrasted with those of other leading racing countries. Arguably, the UK government still creams off a disproportionately large slice of betting turnover in tax. Arguably, too much money is siphoned out of racing by bookmakers, whose leech-like tenacity and greed have cost the sport amazingly dear.

But at least UK racing is more professionally run than it used to be. And there is no evidence that it won't survive the recession in reasonable shape, just as it always has. The Maktoums may move a few horses hither and yon. But the tears being shed on their behalf are crocodile's.

Soccer/Peter Berlin

## The root of England's problem

WHEN England start their World Cup campaign against Norway at Wembley on Wednesday, it will be a testing meeting not just for the team but also for the resourceful journalists of Britain's tabloid newspapers. After England lost to the hosts in the European championships in June, one of the tabloids screamed: "Swedes 2, Turnips 1". In September, when England lost in Santander, it stuck with the theme: "Spanish 1, Onions 0".

"I'm beginning to wonder what's the bloody vegetable in Norway," said Graham Taylor, the England manager. Taylor's persecutors have superimposed a photograph of his face on to a turnip. It is a good joke, but it also contains a truth. On the evidence of some of Taylor's team selections, criticism from the newspapers seem to have turned his brain into mashed root vegetable. The irony is that one of the reasons he was picked for the job over better candidates was his ability to handle the press.

His two years as England manager have followed the pattern set by his predecessor, Bobby Robson. England qualified for the European championship finals in Sweden and then bowed out tamely as Robson's team did in Germany four years earlier. Robson also guided England to two World Cup finals.

In both, England started poorly but recovered when the players convinced Robson to change tactics. Taylor, like Robson, can build a team to qualify for international tournaments, but picking a team to win them is beyond him.

Americans divide coaches into winners and losers. This is ruthless and simplistic, but it avoids confusion over priorities. If you want to win trophies then you pick a coach who has won most competitions at the highest level. But the choice of Taylor to guide the England team to the World Cup finals in the US in 1994 suggested that the FA had other goals in mind.

There was a time when even the limited goal of reaching the World Cup finals seemed beyond England. The team finished the 1990s as world champions. In the 1970 World Cup, they were cruising to a quarter-final victory over the West Germans when Germany rallied to win 3-2. By the time England returned to the World Cup finals in 1982, the assured confidence of that team seemed an impossible memory.

After England were eliminated in 1973, the FA appointed the "winningest" manager in England: Don Revie.

From the Revie fiasco, the FA learnt two wrong lessons. First, that managerial success at club level bears no relation to success in international football; second, that an international manager must, above all, be able to cope with the unremitting attention of the media.

When the FA appointed a permanent successor they turned to Ron Greenwood - the perfect man to clear up the wreckage. Over the next two decades, more difficult men such as Brian Clough, Bob Paisley and Howard Kendall led big clubs to multiple League championship and European trophies. All were passed over in favour of others who had achieved respectability and, in the case of Greenwood and Robson, some cup success, at smaller clubs. Their appointments, and that of Taylor, were a sign that the FA saw England as a middle-of-the-table club.

Greenwood and Robson built teams that avoided disaster in the World Cup. Even so, criticism began to mount. Time and again England have entered important matches against medium-strength opposition, as they do against Norway, with the fans and the press predicting the worst. But if England win narrowly against Norway the personal abuse aimed at Taylor will be redoubled. English fans may live in constant dread of humiliating defeat, but they also dream of their team humiliating the world.

Taylor must know by now that, for all his public relations skills, merely reaching the World Cup finals will not be enough. He must at least match the Paul Gascoigne-inspired run to the semi-finals in 1990.

Taylor complains frequently, and with some justification, about the problems he has picking a settled team. But he often fails to take the opportunities he has. It is difficult to believe that he is nurturing players (other than David Batty) or developing continuity. The substitutions at the end of the Spanish defeat created only a sense of chaos. Taylor knew before the European championships that Gary Lineker would be quitting international football. But he left out of his squad the two best candidates to replace him: Ian Wright and David Hirst. As Lineker said, Alan Shearer is not, for all his virtues, an instinctive goal scorer.

Taylor's squad was devoid of creative players in part because he spurned two proven internationals: Chris Waddle and Peter Beardsley. Both are playing well this season but neither is in the squad for the game against Norway.

Taylor's reluctance to play Wright,



Right man for England: Ian Wright of Arsenal is a risk Graham Taylor must take

Beardsley or Waddle reveals a lot about his attitudes. Beardsley lacks stamina, but Taylor has substitutes. Waddle will not stay in one position: as soon as he steps on the pitch he is out of the manager's control.

Wright has a reputation for indiscipline. But his electric pace, assured first touch and goal-scoring instinct make him a potential threat at international level. Taylor might cave in to pressure and play Wright on Wednesday but he represents a risk and Taylor is averse to risks.

Taylor must now wrestle with the biggest risk of all: Gascoigne. Taylor

does not trust Gascoigne. He showed that when he dropped him for what promised to be a robust match against the Republic of Ireland in 1991. Gascoigne's injury gives Taylor an excuse for leaving him on the substitutes' bench. This is pragmatism, says Taylor. In truth he is lowering his sights. His instinct is to pick a team to scuff for a result. But football is full of scuffers. The true pragmatists know that this is not enough. They are the ones who collect the trophies Taylor has never won. He is happy to settle for a diet turnip when he could roll the dice and dine on caviar.

Rugby Union

## Amateur? Pull the other one, chaps

SO YOU thought rugby union was an amateur game? You thought it was the game that was played for love and that those who wanted to play for money went north, to play rugby league.

It was - once. But it is not any longer. The world has been stood on its head. Rugby has gone from being a game of no money to a game of big money. There is more money in the best rugby union clubs in England and Wales than in the worst professional rugby league clubs.

For example, Gloucester handed over their commercial affairs to businessman Mike Burton, a former England player, and in one season earned themselves £140,000. Harlequins, the acme of rugby union clubs, signed a £350,000 four-year sponsorship deal with Flowers Bitter. A Heineken league game between Swansea and Llanelli last month was almost certainly the first club match in Britain to generate a turnover of £100,000.

For Llanelli, traditionally one of the richest clubs in British rugby, this was the gilt on the gingerbread. This bonanza game came a week after the club banked £18,000 for retaining the Welsh Cup last season. It came within a month of the club receiving £10,000 for taking part in the Heineken League and extending its sponsorship deal with Crown Buckley, the brewers, for another three years for £150,000.

Such success among the leading clubs in the game is high on the list of the old exponents. Bath, winners of the Courage League and Pilkington Cup last season, nevertheless managed to lose £5,000. At Moseley's annual meeting members were told the club was £120,000 in debt. Such exceptions highlight the general situation, however.

With so much money sloshing around, it is no surprise that some of it is making its way back to the players in one form or another. Here are some of the things that have been said about money in rugby union these past 18 months: ■ A little over one year ago the coach of a leading London rugby club told the following

story. One of his most promising young forwards had come to him in a state of some agitation having been offered £20,000 to move to a particular club. What should he do?

The coach did not want to lose this player, whom he had coached since the youngster had joined the club as a junior but the club had no money to pay players. "Go if you really want to," said the coach. "Go with my blessing."

■ Each member of England's World Cup squad expects to receive between £5,000 and £10,000 from their run with the Ball campaign, launched during the build-up to the World Cup and officially approved by the International Board.

■ Danie Serfontein, the president of the Rugby Football Union, alleged that some players had been offered £5,000 to

switch clubs. ■ David Campese, the Australian winger, said he was rugby's first millionaire. The Australian, allegedly earning \$250,000 annually for appearing for Milan, later said he was half joking. It is thought he was not joking at all.

■ A leading player was being wooed by rugby league. Three businessmen got together and by guaranteeing him £50,000 annually ensured he remained in rugby union.

■ In South Africa, captaincy of one province is said to carry a salary of the equivalent of £25,000. ■ "I know of a handful of players in the Scottish game who are paid for playing," wrote David Sole, the former Scottish captain, in his autobiography... even small clubs in Wales are said to be paying players £40 and £50 for each game. Sole alleges that one Welsh international switched clubs because his pay was increased from £200 to £300.

■ It has become accepted practice for leading players to move from one club to another. One forward approached two clubs, offered his services and asked for a car in return. He was turned down by both. "I now realise the best players think the clubs have become benevolent societies for out of work players," said David Watkins, team manager of Newport. ■ Some leading clubs are able to offer players a car, job and accommodation and in very rare cases, all three.

A question: Is this money bad for the game? It has certainly changed the face of it at the highest level. Rugby is fiercer. There is a real edge to League games. The start of Northampton's match against Bristol in division one of the Courage Leagues was as fierce as any game I have ever seen.

I dislike the abuse of the spirit of the laws, if not the laws themselves, in rugby these days. Last Wednesday night during the game at Cardiff between a Welsh XV and Italy, physios were on the pitch attending to injuries the moment a player went down. Once upon a time, a trainer had to be invited on by the referee.

By the same token, there is no adherence to the understanding that the referee controls who is on the field. At one point while Wales were kicking at goal two of the team's attendants were on the field handing out drinks.

And another thing. The replacement law is being used as a substitution law in some countries. There is no observance of the spirit of the law which is that a player can only be replaced if he is too injured to carry on.

So if everything else is changing, what is wrong with the arrival in the game of large sums of money? Here is one way to control it. Name one home game as belonging to the players in the way that footballers and cricketers are granted testimonials and benefit matches and let them take the entire gate, the money to be held in trust until they retire.

Rugby is played by thousands of clubs and market forces will determine which gets the money and which does not. I suspect that in a few years the game will comprise those clubs with money and the rest - and the rest will be the majority. Is that such a bad thing?

### John Hopkins on how the code has discovered market forces

The FT  
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## TRAVEL FOCUS: THE CARIBBEAN

## From Antilles to Zombies — an A-to-Z

James Henderson, who knows the Caribbean intimately, offers a comprehensive guide, from plantation houses to X-rated dancing

## The Antilles

The Caribbean islands are made up of the Greater and Lesser Antilles, a 1,700-mile arc of islands running from Florida to the coast of South America. They vary in size from Cuba (the same size as England) to tiny cays and sandbars with just a few palm trees. They go by many names: the Antilles after a mythical medieval continent in the unexplored Atlantic; the West Indies because Columbus struck west in search of India; and the Caribbean after the cannibalistic Carib Indians he found there.

Today, the Caribbean offers a superb rest-cure: easy-going island-life and a warm and welcome relief from the grinding downward spiral of winter depression. There is dependable sun, sea, sand, rum punch and reggae. Comfort comes in many forms — private island enclaves, old colonial refinement, luxury aboard a 100-ft yacht...

## Anguilla

A slumber-struck retreat with superb beaches, beloved of a well-heeled British crowd. Quietly chic with some expensive hotels (Cap Juluca, Cove Castles and Malliouhana, but also some guest houses), and a string of water-front restaurants.

## Antigua

Also favoured by the well-to-do: excellent deserted beaches and some five-star hotels (Curtain Bluff, Jumbay Bay and mock rustic Galley Bay). Famed for Race Week, out of Nelson's Harbour, at the close of the Caribbean winter sailing season.

## Beaches

The Caribbean has some of the world's finest beaches — blinding white strands that run deserted to the horizon; talcum-powder sand washed with glacial water; palm-backed peeing beaches where the body-beautiful roam; smuggler's coves.

A pick of the best: Anse la

Roche, an isolated cove on Carriacou; Anse de Grande Saline on St Barts for starlet-spotting; Shoal Bay in Anguilla for supreme, palm-shaded sand; five miles of Negril Beach in Jamaica for unflinching hedonism.

## Barbados

A grand dame of Caribbean tourism. The west coast, a millionaire's playground (hotels like Sandy Lane and Cumber's Cove), has attracted the smart set for a couple of generations, but it is easy to have a good time on a less expensive budget.

## Bequia

Post-card picturesque, Bequia is the prettiest of the Grenadines. The Port Elizabeth waterfront is lined with neat wooden villas and small hotels nestling among the palms.

## Carnival

People leave their jobs to get back to Trinidad's Carnival, a five-day extravaganza of calypso concerts and street parades. Thousands of costumed masqueraders shuffle-step in choreographed sequence through the streets of Port of Spain and, unlike Rio and New Orleans — "just fashion parades," the Trinidadians claim — you can buy a costume and join in. Most other Caribbean islands have their own carnivals now, and any is worth attending if you are on-island.

## Calypso

Calypsos are the driving beat behind carnival, bounding along to a drum-driven rhythm. But they are more than simply dance-music; the lyrics sing of love, sex and politics. And the calypsonians, Lord This and The Mighty That, are performers as well as singers.

## Climate

The Bahamas were once known as the Isles of Perpetual June because Caribbean weather is so dependably



Party time in Dominica: most of the islands now have their own carnivals

warm. The temperature hovers at about 80°F year-round. Seasons are dry and wet (June and November).

The best (and most expensive) time to travel is January-April (high season), when the weather is constant and the tradewinds at their strongest. Hurricanes are the fiercest natural scourge in an otherwise

vast hemispheres of brain coral and barrel sponges big enough to sit in; shoals of fish dip and dart and crabs eye you quizzically. Famous dive-sites include: Bonaire slopes for colourful corals; barrier reefs in the Bahamas and Turks and Caicos Islands, and the sheer walls of the Cayman Islands, where you can cavort with sting rays.

## Festivals

There are many festivals besides the carnivals: sailing regattas, deep-sea fishing tour-

naments, Catholic fêtes patronales (Saint's Days, but more like a week's celebration), even Hindu and Muslim festivities. Others are centred on music and dance, from imported jazz to home-grown concerts.

## French Caribbean

The French Antilles (Martinique, Guadeloupe, St Martin and St Barts) have a standard of living equal to that of France itself. You may have to put up with crowds, but these islands have fine classical French restaurants and bistros.

## Getting around

There are plenty of taxis in the Caribbean, but local buses are more fun, and more like mobile discotheques than transport. Many have names — Street Demon, Thunder Run — and you will get to know fellow passengers well in the squish. Hire cars and mini-mikes are readily available, though they vary in price and regulations across the islands.

## Hustlers

Hustling is persistent in some

islands (especially Jamaica) and can be annoying, even frightening. Small-time dealers scour the beaches and towns and will offer you anything from a rasta wristband to a bag of ganja. A persistent and polite 'No' is the only way to keep your peace.

## Humming-birds

These tiny, shimmering creatures of great beauty have a metabolic rate so high they must fly and feed all day. Trinidad, which has some of the most extensive birdlife in

the region, has 16 species of hummingbirds alone.

## Island hopping

Most of the graceful inter-island schooners are gone now, so island-hopping is done via coffin-sized aircraft that hum like oversized tuning forks but can stop on a sixpence. Air-strips (not much larger) can be hair-raising. Worst of all is Saba in the Dutch Windwards, a 400-yard strip with a 100-ft drop at either end.

## Jamaica

The largest and liveliest of the former British islands. A string of villas and top-notch hotels can protect you from hustlers, but Jamaica is also an island to explore for inland bathing in rivers and waterfalls, the hedonistic pleasures of Negril, and for world-famous reggae bands playing to small home crowds.

## Limbo

Trinidadians must take the credit/responsibility for the limbo, an impressive athletic feat that is now the scourge of every tropical party. Dancers perform an inverted high jump, shuffling, sidling and shimmying under a (sometimes flaming) pole.

## Liming

A traditional Caribbean pastime, centred on streetfront rum-shops — a cross between passing the time of day and street theatre.

## Island retreats

There are some supremely luxurious private island retreats in the islands. In the Grenadines are Petit St Vincent (PSV to its habitués) and Young Island, once swapped by the governor for his black stallion. In the Virgin Islands try Peter Island, or Richard Branson's Necker Island.

## Monte Cristo

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**Programme of Events**

**Wednesday 6th** Depart London/Heathrow - Terminal 3, for Tobago on BWIA Tri-Star service.

**Thursday 7th** Free Day. Welcome Cocktail Party in the evening at Poolside Terrace and draw for Mixed-up Pro-Am.

**Friday 8th** 18 hole Mixed-up Pro-Am.

**Saturday 9th** 18 hole Amateur Stableford for the Ben Heath Trophy. Evening Cocktail Party on Golf Clubhouse Patio.

**Sunday 10th** Free Day.

**Monday 11th** Trip by Glass Bottom Boats to Buccoo Reef followed by Beach Barbecue and Steel Band at Pigeon Point.

**Tuesday 12th** 18 hole Texas Scramble.

**Wednesday 13th** 1st Round 54 hole Pro-Am Team Championship incorporating 1st Round 72 hole Professional Championship. Hotel Manager's Rum Punch Party at Poolside Terrace.

**Thursday 14th** 2nd Round 54 hole Pro-Am Team Championship incorporating 2nd Round 72 hole Professional Championship.

**Friday 15th** Free Day.

**Saturday 16th** Final Round 54 hole Pro-Am Team Championship incorporating 3rd Round 72 hole Professional Championship.

**Sunday 17th** Final Round 72 hole Professional Championship 18 hole Amateur Fourball Betterball Cocktail Party followed by Gala Dinner and Prize Presentation.

\*\*\* (Dinner jackets or Lounge Suits are requested). Depart afternoon for London/Heathrow.

**11-Night Pro-Am Prices**

Player	£2850
Player's Companion	£2050
Children Sharing with parents aged: 2-11 years	£875
aged: under 2 years	£150
Professional	Free
Supplement for cottage accommodation - 2 persons	£400
Supplement for single cottage accommodation	£200
Supplement for single hotel accommodation	£200
Airfares	£1150
Supplement for Golden lib (1st class)	£350
Supplement for Silver lib (Economy Enhanced)	£250

**Basic Pro-Am Costs include:**

- Return air travel from London/Heathrow to Tobago on BWIA International scheduled Lockheed Tri-Star service.
- Transfers between airport and hotel on arrival and departure.
- Baggage handling from Heathrow to hotel and return.
- 11 nights at Mount Irvine Bay Hotel.
- Full breakfast and dinner each day.
- All entry fees to the Pro-Am.
- Green fees for duration of Pro-Am for both players and non-players.
- All social activities and cocktail parties as shown in the Programme of Events.
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## TRAVEL FOCUS: THE CARIBBEAN



Festivals, fishing and balmy beach-side days. The Caribbean has carved a market for itself by offering a warm and welcome relief from the grinding downward spiral of northern hemisphere winter depression

## Ritual bonding for the family

Martin Dickson, his wife and three children, go on a Club Med holiday in the Bahamas

IT FIRST dawned on me that I might have come to the wrong place when this overly jolly and insistent man accosted me on the Club Med restaurant steps. "Will you cheer for me in the lip-synching contest?" he demanded. At least, that's what I think he said. I was more intent on avoiding him than catching his precise words. I swerved out of his way.

"You've frightened him," he was told by his giggling lady companion, like him a member of staff at the Club Med resort on the Bahamian island of Eleuthera. He had, too. At the mere mention of the phrase "audience participation," I tend to break out in a sweat and look anxiously for the nearest exit. So on Day 1 of a week-long holiday I did not exactly welcome the idea of relentless, collective jollification.

More fool you, you might say. After all, Club Med, arguably the greatest French cultural export of the past half century, with outposts scattered like the Foreign Legion across (mainly) hot and sandy regions of the globe, is known for little else but relentless, collective jollification.

For sure, the popular image of Club Med's villages has them filled with clean-limbed, sun-kissed youths who spend the long, laughing tropical days in vigorous sporting activity, the evenings in hearty social bonding, and the nights in vigorous sexual bonding. The club's artful slogan hints at all

these delights: "Club Med, the antidote for civilisation."

But the dull old world of demographics, together with the profit motive, has encouraged Club Med to establish a group of villages very different from the archetype. These are family resorts, catering to the (very civilised) demands of an ageing baby-boom generation that goes on holiday with its children and needs them entertained.

Eleuthera is just such a resort, offering a wide range of sporting and other activities for adults and children, together with an elaborate system of child-care that can take nasty little brats off their parents' hands from early in the morning until the middle of the evening, with only a small, late-afternoon break.

Blissful images of lazy, child-free days filled my head as I booked an Eleuthera package for myself, wife and three children. I might spend a day soaking up the sun on the fine, pink-tinged sand of the palm-fringed beach, then drift through a few days of sailing, snorkelling, water-skiing and scuba diving. In the evenings, with the children sleeping off the day's activities, we

would linger over meals of fine French cooking.

Inevitably, reality did not entirely live up to this fantasy. Certainly, the food was very good and there was an extraordinary range of constantly-changing dishes. Club Med offers almost a dozen kinds of freshly-baked bread alone. The accommodation was a little spartan, but clean and quite sufficient for a holiday spent almost entirely out of doors.

The kids' programme was certainly full, and among many other things gave our children the chance to water ski, go for sailing trips, scuba dive, snorkel, play soccer, golf and tennis, swim, find treasure and even become trapeze artists, thanks to the resort's own mini-circus.

There were, however, two significant drawbacks. First, so many activities were crammed into the programme, and so many children were doing each one, that there was no time for a child to concentrate on getting one thing right - and no opportunity to take private lessons outside the strict timetable.

Take scuba diving. A couple of dozen children would spend half an

hour or more hanging around the village swimming pool waiting for a mere one-minute swim with a scuba kit, followed by a pose in full gear for a photographer - a case of "never mind real expertise, here's a pic to impress the folks back home."

Second, programmes like this are only as good as the camp instructors leading them and the size of the classes. Our eldest child, aged nine, and youngest, five, had good, enthusiastic minders and thoroughly enjoyed themselves. But our normally uncomplaining seven-

year-old suffered from being in a large group led by young people whom we felt lacked sensitivity towards their charges. She was so unhappy that she spent much of the week mooping around us. Goodbye peace and quiet. Goodbye sailing. Goodbye our reason for being in Club Med.

Nor were the evenings entirely child-free. The club did entertain children while their parents ate an earlyish meal, and that was a boon. But far from collapsing into bed thereafter, virtually all the children

in the village then converged on the club's open-air auditorium for a show which lasted until 10.30. By the end of the week, ours were distinctly ratty.

It is one of Club Med's great traditions that there is a show in each village every night. They can be of a surprisingly reasonable standard and while they are put on by the phenomenally hard-working staff, some involve the guests, both children and adults.

Each evening also ends with a ritual bonding activity - the collective singing of a silly pop song, accompanied by a choreography of absurd hand, arm, head and leg movements. Children love it, but it is not the kind of thing that comes easily to your average up-tight Englishman.

For large parts of the day you can get away from such jollity, though it still tends to pop up unexpectedly. "Before you can get on the boat, you must all say 'Hello, Captain Tom,'" insisted the group leader on one snorkelling trip. We all said it - with gritted teeth.

Still, there is something infectious about the Club Med atmosphere. Despite our reservations

about the children's programme, we met many American families who swear by it and go back year after year to Eleuthera or the company's other Caribbean family resorts.

And while these days it may not be an antidote to civilisation, it does break down inhibitions. Just ask the prominent American lawyer in our village who cavorted across the stage in one show clad in little more than his underpants. By the end of the week even I was twitching discreetly to the silly song.

■ Club Med is still expanding. On November 6 it opens its first village in Australia, on Lindeman Island, in the Whitsunday and Cumberland island group just off the Queensland coast and two boat-hours west of the Great Barrier Reef. Accommodation for 550 guests is in three-storey, air-conditioned lodges. Club Med took control of the island in May 1991 and has spent \$21m on refurbishing the resort. An inclusive week's stay (without flights) starts at \$694 per adult and \$347 per child (4-11 years of age). Flights to Australia from the UK can be arranged by Club Med from £750, as can stop-overs in Cairns and Sydney.

Details of the Eleuthera resort and many others can be found in Club Med's Winter Sun '92-'93 brochure. It also has a skiing brochure. In London, Club Med is at 106-110 Brompton Rd, SW3 1JJ. Tel: 071-581-1161, fax: 071-581-4769.



## Vieques: an odd experience

IT IS odd that the finest beaches in Puerto Rico are almost undeveloped, when a quick look at Miami Beach or the San Juan waterfront shows that Americans are hardly shy of building on a good strip of Caribbean sand. And yet Vieques, a little-known island off Puerto Rico with some superb beaches, has no skyscraper hotels, no casinos and no Vegas-style entertainment.

Instead, Vieques has just a few small guest houses with personable if eccentric managers. The locals spend most of their time playing dominoes and "winning" (see A-20). And, as well as deserted beaches, Vieques is the site of one of the Caribbean's most extraordinary natural phenomena - a phosphorescent lake.

The reason for Vieques' lack of development is that it is mostly owned by the US Navy, which uses it as an ammunition dump and bombing range. In the second world war, Vieques was a full-back harbour for the Royal Navy in case Britain was captured by the

Germans. More recently, the mock invasions of Grenada were staged there and there was a lot of activity during the Gulf War.

The navy is an ambivalent presence for the islanders. The nearby islet of Culebra was in the same position until a few years ago when the inhabitants started to organise picnics on the bombing range and the navy withdrew. But for visitors, Vieques is pleasantly undeveloped and peaceful (except for a couple of weeks a year when they are bombing).

Nothing could be less military-like than the Casa del Frances, a guest house near Esperanza on Vieques' south coast. It is set in a classic West Indian estate house, wrapped with huge black-and-white chequered verandas, and has fan-cooled rooms set around a courtyard.

Poking out of the rampant greenery in the courtyard, metal sculptures strike irregular, satirical poses. The same might be said for the owner, a white-whiskered roustabout by the

name of Irving Greenblatt, who is something of a latterday Hemingway. He runs the guest house, which has been called an "anti-hotel", with co-manager Frank Celeste, a self-appointed sexual chronicler (his latest best-seller: *A Cookbook, Sex Manual and History of the Casa*).

If you can take the ribbing about the British and their food and about their being passionless, then it is an amusing place to stay.

If Casa del Frances sounds too rum, you might try the Parador Villa Esperanza, a more traditional hotel on the beachfront. This is the best place from which to arrange a trip to the phosphorescent lake in Mosquito Bay.

Visiting the lake is one of the oddest experiences of a lifetime. It is as eerie as it is unlikely: water that glows at the touch, glittering as it slips through your fingers.

A motor boat carries an impressive trail in the water, but it is best to go by canoe, preferably on a pitch-black

night. As you advance, the wake of the canoe begins to glow and each stroke of the paddle sets off a twirling vortex of green light. Startled fish dart away as you approach, tracing green streaks beneath you.

The effect is created by dino-flagellates - tiny, single-celled protozoa with a plant-like metabolism. When agitated, they undergo a chemical reaction and emit a pinprick of light. Cupped in your hands, they look like distant stars, but if you splash, the overall impression is startlingly bright.

Dive and swim and you will leave a trail for 10ft behind you; flick your paddle on the water's surface and you create an arc of light like a waterfall 20ft across.

Vieques offers laid-back island life. Latin-Caribbean style, and feels remote even though it is just a hop from San Juan (Puerto Rico) and the Virgin Islands.

James Henderson

## Rum and gunpowder

Continued from previous page

businessmen, are made in Cuba, the self-appointed adversary of capitalism. Fidel himself has stopped smoking them, but you will see Cuban builders puffing on Size 4 Monte Cristos while mixing the cement.

## Mustique

An absurdly luxurious, little-island enclave in the Grenadines, peopled by nobles as varied as Princess Margaret and David Bowie.

## Netherlands Antilles

The Dutch Caribbean is split into two groups separated by 600 miles of the Caribbean Sea - the Dutch Windwards (Saba, St Eustatius and over-developed Sint Maarten) and the Dutch Leeward (Bonaire, Curacao and Aruba), with colourful facades and curly gables like a tropical Amsterdam. The language, Papiamentu, is an unholy mix of Portuguese, African, English, Spanish and Dutch.

## No problem!

The popular T-shirt slogan and habitual call of West Indians when they are being so laid back it becomes annoying. If you complain about your meal taking too long, they will reply coolly "No Problem!", and carry on regardless.

## Oloffson Hotel

A magnificent gingerbread mansion in Port au Prince

(Haiti's capital), used by Graham Greene as the setting for his novel, *The Comedians*. The man who inspired the character Petit Pierre still breakfasts each morning on the veranda.

## Plantation houses

While most Caribbean hotels are furnished in white wicker with bright and breezy pastel fittings, there is the odd hangover from the plantation days. The tiny, twin-island country of St Kitts and Nevis has half-a-dozen excellent plantation hotels.

## Rhythm

Music is played everywhere in the Caribbean, usually at high volume and all day long (except when the cricket commentary is on). There is practically a different beat for each island. The best known is reggae from Jamaica (now grafted with rap to become dancehall); Trinidad reverberates to soca (from soul-calypso), and Martinique to the racing double beat of zouk. The Latin islands have their rhythms, too: the Dominican Republic bustles to merengue and Cuba and Puerto Rico have their own versions of salsa.

## Rum punch

Rum is the Caribbean's drink. The rhyme for rum punch goes: *One of sour (lime-juice),*

*Two of sweet (cane-juice or sugar), Three of strong (rum), Four of weak (water).* Nutmeg is often sprinkled on top (Blackbeard would drink his rum with a tincture of gunpowder). The locals usually drink white overproof rum and it is well worth joining them.

## Shades and swimsuits

These are the essential wardrobe of the Caribbean traveller, though there are still one or two places where you can air the tuxedo: the smarter hotels in Barbados still retain a dress code and many places request a jacket. Generally, a shirt and trousers or a skirt are enough in the evenings.

## Santo Domingo

The oldest city in the New World, capital of the Dominican Republic.

## Tradewinds

The Tradewinds are the refreshing equatorial breezes that blow through the islands, taking the edge off the heat.

## Operators

Some of the best-known UK specialists include: Caribbean Connection (tel: 0244-341131), Elegant Resorts (0244-329671) and Caribours (071-581-3517).

ated by thighs that barely touch.

## Yankee dollar

An old calypso sings of working for the Yankee dollar, which is still in universal demand. Most islands have their own currency, but hotel and often restaurant prices are set in US dollars. Credit cards are accepted everywhere on the tourist circuit. Generally, the Caribbean is not cheap (unless you go native) and you can expect to pay similar prices to home when eating out.

## Yachting

The two main yachting areas are the Virgin Islands, safe and relatively easy sailing along the Sir Francis Drake Passage, with short hops between beach bars; and the Grenadines, which have a wilder beauty and less developed islands. Both have isolated, sandy coves and cays to which you can retreat. Gin palaces are readily available with direct airport transfer to on-board heli-pads.

## Zombies

The name of the living dead in Haitian voodoo. They are not known to haunt beach bars and hotels.

■ An updated edition of James Henderson's *Cadogan Guide to the Caribbean*, with revised sections on restaurants, hotels, bars and beach bars, was published on October 1 (212.95).



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# SKIING AND TRAVEL

## No surrender on the ski slopes

Arnold Wilson previews the new season and finds that bookings are up in spite of sterling's woes

**W**E HAVE seen this extraordinary syndrome before and this autumn we are seeing it again: although as a result of the free-falling pound the British may consider sacrificing their summer holiday, come hell, high water, or Helmut Kohl, they will not retreat from the ski slopes of Europe... or the US, come to that.

After the most consistent snow for a decade in Europe last winter, tour operators are reporting remarkably brisk early bookings - excellent in some cases, and traditional worries about the possible lack of snow at Christmas and New Year seem to have evaporated.

With the ailing pound and dollar entwined in a trans-Atlantic embrace in which they seem set to sink or swim together, bookings to the US are looking even better than last year in spite of an indifferent winter for snow in the Rockies.

However, Vail is no longer automatically the most popular destination. Some British skiers seem keen to explore more exotic destinations such as Jackson Hole and Telluride. Ski Solutions (081-944-1155) the specialist ski "travel agent", provides a barometer of this British preoccupation with skiing at all costs. "We are 30 per cent up on last year in terms of people, but 64 per cent up in money," says Lizzie Norton, managing director.

"A lot of people are choosing holidays that are at least 25 per cent more expensive. The general feeling is that people scrimped last year and many had bad experiences. For the sake of spending a bit more, they really do get more comfort and service."

"Last year they also tended to leave booking too late and were frequently disappointed. They often had to take second or third choice of hotel or chalet as their first choice was

already booked. However, in the top resorts like Courchevel, Zermatt and Verbier, people do seem to be prepared to stay in accommodation that is further away from the slopes, and therefore cheaper, in order to have access to good skiing."

The French are hoping to overhaul their rivals, Austria - which traditionally attracts more British skiers than any other country - and may even end up neck and neck. With frontiers virtually removed in 1993 the French are planning to bring back heliskiing direct from French resorts for the first time since 1975. Thus - ironically during a recession - specialist ski schools like Top Ski and Evolution de 2 in

**UK skiers seem keen to explore more exotic destinations**

Val d'Isere/Tignes hope once again to be offering skiing encounters of the most expensive kind. They will still have to land just over the border in Italy because of environmental pressures, but they will no longer have to fly to Aosta or La Pluie first.

\*\*\*

The Albertville Olympics may be over but the French, anxious to keep the Olympic flame burning in hearts and minds, are offering a new Olympic lift pass enabling skiers who book a full-price six day ticket in any of the major Olympic areas to ski in two others.

For this purpose, the Trois Vallées resorts of Courchevel, Meribel, Les Menuires and Val Thorens will be dubbed l'Espace Trois Vallées. La Plagne and neighbouring Les Arcs will form another "Espace". The Val d'Isere and

Tignes common skiing area has long been christened "l'Espace Killy."

Skiers in any of the three Espaces will now be able to spend one day in each of the other two. Thus, if you buy a six day pass in Val d'Isere, for example, you can use it to ski for a day in the Three Valleys and a day in La Plagne or Les Arcs at no extra cost.

It is well worth noting - especially for larger families and groups - that by pre-booking your lift pass from many tour operators (those whose current brochures promise "no surcharges") you can still take advantage of pre "black Wednesday" prices, which are now substantially cheaper than the price you will pay in the resort next winter.

A six day pass costing £1,870 for the Espace Killy is still available at the old exchange rate of 9.71 francs to the pound recommended by ABTA earlier this year, so you can still pre-book your lift pass for under £90. At the present exchange rates, you would have to pay more than £107 in resort.

Skis and boots are also worth pre-booking at the old rate. Crystal, which cleverly uses the word "approximate" to describe its brochure prices, have now upped the cost of a lift pass in l'Espace Killy from £86 to £92 and ski and boot hire from £46 to £55. But Touralp (£89 lift pass, £37skis and boot hire) and Nielson (£91 lift pass, £46 skis and boot hire) honour their brochure prices. Market leader Ski Thomson, which pre-books equipment but not lift passes, also sticks to its ski and boot hire rate of £47.

With some tour operators already toying with reprinting their brochures with higher prices, booking now makes sense. There are only just over 60 booking days till Christmas.



Up, up and away: concentrate on your belly button and skiing comes naturally, says instructor Vic Braden

## The Braden way to heaven

**Y**OU ARE cold, frustrated and angry. Anyone who has taken ski lessons in Europe will know the feeling. Cold, because you have been standing around on the mountain watching other people fall over. Frustrated, because the instructor keeps shouting "bend your knees" and you are still not getting any better, either at bending your knees or at skiing. Angry, because you have paid good money for an archaic Alpine form of public humiliation. Instead of locking you into unusually-shaped pieces of wood and throwing you at the snow.

In America, thankfully, they do it differently. Take the Vic Braden Ski College in Aspen, Colorado, where they take the "school" part of "ski school" seriously. When I signed up for the five-day skiing course I received an introductory video, a recommended reading list, assigned exercises, and warnings about what to wear and how to avoid altitude sickness. I watched the video, read the book list (but none of the books), skipped the exercises (more fool me) but packed the longjohns and extra sweater.

The brains behind the Vic Braden Ski College, not surprisingly, belong to Vic Braden. A licensed psychologist and US tennis coach, Braden is known for his offbeat approach to sports teaching and the college is a response to what he found when he tried to learn skiing: that the quality of teaching varies widely, and that skiers rarely receive the attention they deserve from instructors.

On our arrival Braden was not there to welcome us in person, but he did appear on video to provide cheer encouragement at the orientation meeting, which opened like a group therapy session - 20 people seated in a semi-circle, nervously providing a brief resume of their skiing experience and hopes for the week.

The first day at any school is tough, but a few in the group were alumni and offered some words of comfort. George from Connecticut attended the college a year ago: "Last time I got my legs and arms. I'm back to find the rest of my body."

Fear was our common denominator. Fear of difficult blue runs, steep black runs, moguls, ice. Some were scared of going too fast, others of going too slow. Fear reached other areas, too. Should longjohns go inside, our outside socks?

**Patrick Harverson learns new tricks from a US ski guru**

ful Swiss instructor. Muriel trained in Switzerland as a physical education teacher and brought something of the schoolmistress to her ski classes, asking questions which quickly made us realise that we had no idea what we were doing - right or wrong - when we skied.

Under Muriel's persistent probing, our control and technique improved. Each day ended with discussion of the skills we had worked on and an opportunity to watch ourselves on video, a sometimes painful experience that yielded at least one important lesson: I needed a new ski suit.

The coaches also introduced some innovative concepts, such as "centering", a technique borrowed from the martial art, aikido. Centering involves discovering your "one-point" - the physical centre of your body. In most

cases, this is somewhere near the belly button. By focusing our minds on the spot while we skied, we would have better control over our balance.

That was the theory, and although it was easy to find your one-point in the classroom, it was trickier to think of your belly button while bouncing down a mogul field. There were also breathing exercises (it is astonishing how many people hold their breath when skiing difficult slopes).

Each coach had their own style: moguls were a case in point. One coach taught his nervous charges to think of the moguls as "turn enhancers". Another recommended growling at them on the way down, while Muriel took a more conciliatory approach, suggesting we treat the moguls as "our friends".

The week passed quickly and by Thursday most of us were showing signs of real improvement. George from Connecticut had finally found his body, although we were not sure if he knew where his head was. On the penultimate day Vic Braden arrived to give us a pep talk. This is a man who knows his pep, and he delivered a boisterous account of his teaching philosophy, which can be distilled in a single slogan: "Laugh and learn."

Braden finished with a favourite quote from Charlie Chaplin: "A day without laughter is a day wasted." After a week spent learning to dance with the mountain, love my belly button and make friends with a mogul, not a day went to waste.

Patrick Harverson flew to Colorado with Continental Airlines and stayed at the Inn at Aspen in Buttermilk (tel: 303 925 1500). The fee for a five-day course at the Vic Braden Ski College is \$695 (£390) which includes lift tickets. For information ring: 303 920 0784.

## Hungary on course

**O**NCE tourists took only old jeans and Beatles albums to Hungary. Now they are taking golf bags. Once the locals spent their weekends queuing for petrol. Now they queue to tee-off.

Within two years the Hungarian Open could be established. That is the dream of a Hungarian-born golf fanatic who lives and plays most of his golf in the middle of the Pacific. He probably has to travel further from his home to his golf club than anyone in the world.

Dezso Hafnal is president of the Hungarian Golf Association and the man behind Budapest Golf Park and Country Club, a \$2m (£1.1m) project on the picturesque island of Szentendre, 35 kms north of Budapest. He spends six months there and the rest of the year in Honolulu, where he is a 13-handicap member of the Hawaii Golf Club.

"There has always been some kind of golf played in Hungary, usually by diplomats, ex-pats, service people and the high society, but now more locals and tourists are getting interested in the game," said Hafnal.

In 1956 Hafnal, the son of a Budapest hairdresser, moved

to British Columbia in Canada where he became a member of the Uplands and Victoria golf clubs. He became involved in property projects in the US and Canada and saw the potential of building a golf course in his home country.

His dream came true when the Szentendre course opened in 1988. Hafnal wants to bring a permanent teaching professional from Britain for the opening of the courses' back nine holes next year.

It won't be me. The course is tight and has some idiosyncratic hazards which proved too much for my weak European game. At the moment the longest hole is the 410-metre fifth and the shortest the 153 metre seventh. I came to grief on the fourth which has pepper fields down the right hand side of the fairway. I pushed one in there and found that I could not see the green - my eyes were watering too much.

Green fees are £16 and membership £266. There are plenty of moderately-priced and comfortable guest-houses close to the course, as well as some excellent spa hotels. For luxury you could stay in the Grand Hotel Corvinus, which opened recently in Buda.

You can play at Budapest Golf Club from April 1 to Octo-

A new course near the famous German tourist attraction of Lake Balaton to the west of Budapest will shortly be under construction, and Hafnal has been approached by a German group to draw up plans for another complex.

Once, most of Hungary was out of bounds. Now only parts of it are.

For further information about golf in Hungary, contact Danube Travel in London: 071-493-0263. For information and flight reservations to and from Budapest, contact Maleo Hungarian Airlines at 10 Vigo Street, London W1. 071-493-0577.

Kevin Pilley

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Damascus has not been the easiest place in the Near East to reach from London. We have found the most comfortable routing to be via Amman, in Jordan. Damascus is the oldest living city in the world and was the Islamic capital under the Ottomans.

Palmyra is a very special place - the city has a wonderful street and monumental arches but is most well known for the Temple of Baal. Aleppo has the largest medieval citadel in the world and finest remaining example of Arab military architecture. There are some four miles of covered souks to explore.

Crac des Chevaliers is a special fascination and Crac des Chevaliers, the residence of the Crusader Knights Hospitallers, will not disappoint. And we will visit Bosra containing a unique Theatre.

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## BOOKS

# Beaverbrook: the master of intrigue

Malcolm Rutherford on the extraordinary life and times of the great press baron

POSSIBLY ONE is unduly influenced by the UK's current economic gloom and the sense of national failure: I found this biography of Lord Beaverbrook almost unbearably depressing.

Here was a man who arrived in England from Canada in 1910, became a Member of Parliament before the year was out – even before he was eligible to vote in a British general election.

Some 40 years later he was still intriguing. He became minister of information in 1918 and was recalled to government in the second world war as minister of production. Beaverbrook knew practically everyone. He was a friend – until the Irish Treaty – of Rudyard Kipling, who admired Canada but disliked the United States. He was close to Arnold Bennett, the writer.

At least three people wrote novels that included him. Evelyn Waugh had him as Lord Copper in *Scopin*. Rebecca West, his sometime mistress who described him as "every other inch a gentleman" (Beaverbrook was only 5 ft 7 in) had a go. William Gerhardie, a young protégé, thinly disguised him as Lord Ottercove in his book, *Jazz and Jasper*.

We should not blame Beaverbrook. He was a brilliant journalist, as proprietor, writer and innovator. He had been a cub reporter and newspaper salesboy in his native Canada. He began to acquire the *Daily Express* in 1910, founded the *Sunday Express* in 1919 and picked up the *Evening Standard* in 1923; thereafter he did not seek to extend his empire.

He was not quite as ruthless as is sometimes suggested. The *Daily Express* had only three editors in a period of 40 years. He had a talent for bringing in writers. The *Evening Stan-*

dard was, as this book points out, his only paper that was regularly read by his friends. Thus he allowed it to be more to be more sophisticated and less profitable than its stablemates. The Beaverbrook technique of surprising the readers remains in the *Standard* even now: see, for example, an outstanding, unsigned article last Wednesday on Britain and Europe.

Lord Deedes, a former editor of the *Daily Telegraph* and also once a Tory minister, has paid proper tribute. Beaverbrook, he wrote, brought about "a social revolution... During the 1930s he introduced through his newspapers a transatlantic philosophy to our still highly class-conscious and stratified society... he did more through his newspapers to emancipate our society than any of the pre-war political leaders. A cat may look at a king, he constantly reminded his readers."

Without the old *Express*, there might be no *Star* today, though Beaverbrook in the 1930s avoided undue prying into private lives. It is a remarkable achievement that old models are still being followed by new proprietors.

Nor should we blame Beaverbrook for his string of mistresses who scatter the pages of this biography. By now they are irrelevant. They took what they could get, and so did he: he was in many ways a remarkably generous man with an eye for other people's weaknesses.

The real puzzle is why English society as a whole should have sucked up to him for so long. The explanation seems to be money. Beaverbrook gave presents all over the place: he paid other people's debts and seemed to assume that almost everyone could be bought. The sad truth is that he was very nearly right: where he erred was in assuming that giving money would secure political influence. Of the latter, except perhaps in those early days of the Lloyd George coalition, he had very little.

He must nevertheless have had some personal charm and some insights. The historian, A. J. P. Taylor, once wrote of him: "The Empire Crusade was a knock-out comedy, not worth a footnote in the textbooks. In the 1940 the minister of aircraft production may have inspired his colleagues; but only plans



made years before could have matured into aircraft, and much more in the same scathing tone. Yet within a year Taylor had become a Beaverbrook admirer and eventually wrote a favourable biography.

The trouble with this laborious work by Anne Chisholm and Michael Davis is that they seldom stand back and examine why so much of English soci-

ety was so glib to the Beaverbrook approach. There is also a serious lacuna: a chapter on how much money Beaverbrook had, and how he managed it, would have been helpful. For example, he was wise enough to sell a large number of shares before the great crash of 1929. He was not a Maxwell, but years later Maxwell had a similar kind of influence.

## Penman's tour in London

the last several centuries to provide him with paragraphs for this book, so exactly does each selection fit. The result is a cornucopia of good things.

Vansittart begins by introducing us to the multiplicity of London. There are Londons of myth, history and literature; thence to Notting Hill, whence Wyndham Lewis issued his *Blast*. And finally we go from Eros to Bloomsbury and the northern lights of Highgate and Hampstead, where today's scribblers dwell.

Every page bursts with delights; in them London pulses into life and one feels that Johnson's remark about what it means if one is tired of London applies equally to this book. It is in the truest sense a companion. The literary pilgrim will find it invaluable, the browser will find it a treasure-trove. Anthologies and guides come and go, but this will prove a classic of its kind.

A C Grayling

## Fiction

### Ghote has wife trouble

FOR YEARS, H.R.F. Keating has created taxing problems for his long-suffering Inspector Ghote to solve, working against the forces of evil and the chaotic inertia of Bombay. When Keating began this series he had never been to India. Since his deserved success, he has visited the country, but the reader cannot help asking: was this trip necessary? For, like many gifted authors, Keating has invented a country to suit his purposes.

The people of this made-to-order India speak a language that echoes the peculiar English of the subcontinent, but is not a stylized or artificial transcription. Keating is careful, too, to keep its quaintness within tolerable confines: he does not use it solely for humour. His latest Ghote, *Cheating Death* (Hutchinson, £13.99, 172 pages) is exemplary in this respect: he makes a tempered fun of academic pretensions, in both students and professors; but he respects wisdom

and intelligence. Only two miscalculations: he sets up two running jokes (one involves Ghote's determination to beat his wife, the other harps on the Inspector's misunderstanding of a quotation from Shakespeare). Neither is particularly funny; both outstay their welcome.

Michael Pearce has produced a fifth novel in his series about Edwardian Egypt and the British administration. *The Mummy Zapt* and *The Girl in the Nile* (HarperCollins, £13.99, 224 pages) is perhaps the best. As usual, the author displays not only an uncanny knowledge of complex Anglo-Egyptian relations, but also a subtle social sense, a grasp of fine distinctions, an elaborate code. Here, too, language is cogently employed.

Inspector Thomas Pitt and his "better born" wife Charlotte are the familiar leading performers in Anne Perry's novels set in Victorian London. The latest, *Bluegate Fields* (Sovereign Press, £14.95, 308 pages), is somewhere between

a Police Operational (1880s style) and a court room drama. Social taboos and distinctions play an important role here, too, especially as the circumstances of the murder, involving homosexuality, are considered not so much distasteful as unmentionable. The keen reader will probably spot the murderer early on, but that is not the point. It is the search for truth that counts, not the punishment of the guilty.

In her Conan Doyle pastiches, June Thomson relies heavily on imitating the Holmes-Watson dialogues of the real stuff and succeeds in establishing the proper claustrophobic atmosphere, adding a touch of mock authenticity with footnotes, foreword by a modern Dr Watson, and so on. In *The Secret Chronicles of Sherlock Holmes* (Constable, £12.99, 203 pages) the mysteries are enjoyable, though less ingenious than the verbal and visual reconstruction of the period and the style.

William Weaver

# The productive life of a past master

J H Plumb on a fine biography of G M Trevelyan

TREVELYAN IS by far the best book that David Cannadine has written. It is well, if somewhat oddly, constructed. It is compact and the style colourful and emphatic as one would expect, but more sober than his journalism.

The character of Trevelyan and his role in the writing of history have never been better described. Cannadine has had access to a wider range of archival material than was available to earlier researchers on Trevelyan's life and work and he has used this with great skill not only to correct errors but also to fill out Trevelyan's somewhat arid private life. The book has one oddity which I particularly dislike and find mannered and rather silly: each chapter has a picture of a building or landscape and a paragraph of rather wrought prose explains its significance to Trevelyan's life.

The book's first chapter covers comprehensively, and briefly, the life and work and beliefs of Trevelyan. It is a masterly summary and could exist in its own right: if detached from the book it would make a most useful pamphlet for undergraduates.

This is followed by four chapters dealing with facets of Trevelyan's extremely active and productive life: The Liberal Internationalist; The Whig Constitutionalist; The Rural Elitist; The Historian and the Reputation. Obviously there is some repetition. Trevelyan was a man of remarkable honesty with a deep sense of the moral duties both of the rich and the gifted. He spoke his mind bluntly; he wrote sensitively about history. He sought the wisdom it contained and brooded on the almost insoluble problems he found, not only in the world about him, but also in his own vulnerable heart.

He discovered the depths of his own personality in the isolation and loss that history embodies, yet his pessimism was tempered. Although a good Whig historian, Trevelyan never thought that the moral improvement of humanity would be commensurate with progress in science, technology, food supplies, transport and human organisation, yet he would probably have maintained that some moral progress had been made particularly by the Western industrialised powers over the last few centuries. This may have been hard to believe in 1930s, not easy in 1950s. By the 1990s his very limited confidence would have been more justifiable.

Trevelyan said, and no one can disagree, that he was a man of letters: a writer of history, not a professional

research historian. Walking in the dene at Hailington he made the distinction clear to me in six words, barked out in his appalling, grating voice: "Namier – good research worker – no historian." Then he broke wind like a blast of trumpets and his grey eyes and thin mouth displayed the mischievous side of him which Cannadine does not see or deliberately neglects.

Indeed, for me, Cannadine takes Trevelyan, generous as he was to noble causes, a little

G M TREVELYAN: A LIFE IN HISTORY by David Cannadine HarperCollins, £18, 288 pages

too much at face value. Trevelyan loved to be close to men of power and loved being tugged reluctantly to the Papal chair.

He preferred winners to losers and gentlemen to academics. And he was prudish to quite an unnatural degree. His reaction to his brother's illegitimate child (sired when Sir Charles was nearly 80) was excessive for a man of letters and even more for an aristocrat. I suspect a considerable amount of his gloom sprang from emotional, probably sexual difficulties – his marriage to Janet had, I am sure, grown stale with time for both of them.

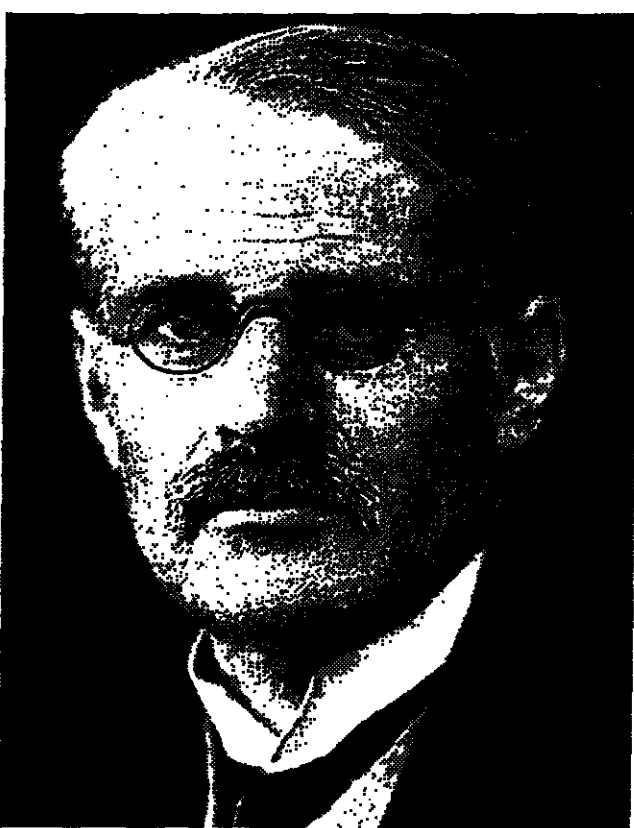
I do not believe that his breakdown as an undergraduate was due to overwork – he discharged throughout his life an astonishing amount of

work, day in, day out, year after year. Overwork is an excuse not a cause.

Actually Cannadine is particularly good on the fullness of Trevelyan's professional life – although he is over kind. Trevelyan was a bad lecturer, I could not get pupils to stay with his lectures in the 1930s, just as he was a thoroughly bad reader either of poetry or even of his own prose – and he was far too self-secure in these matters to realise his weakness or to do anything about it.

Deep down in Trevelyan, there was a spring of gloom that fertilised the beauty of his prose, that haunting tenderness of his for those who were and are not – as numerous as the sands of the sea and as nameless: somewhere here he generalises himself to embrace and succour humanity and so moves us as few other historians have. Trevelyan looms in his books, as he did in life, a little larger than the rest of us.

And Cannadine should not be too gloomy about his fate. Trevelyan is still read, still admired – not by historians, maybe, but by scientists, industrialists, economists and civil servants. The culture and the civilisation of England's past which was Trevelyan's major field of endeavour, has not been obliterated yet, except perhaps by those who study it in academe. Buy and read Cannadine's book – give it away at Christmas – it is an excellent and splendid book but better still, buy Trevelyan's own works, they are even better.



George Macaulay Trevelyan in 1926 when he was 50

## Fiction

### Love blossoms amid the tombs in Gdansk

THE PROFESSOR hero of Professor Grass's new novel is nicknamed Jeremiah, a reproach often levelled at his creator. *The Call of the Toad* – a funny, wise, hugely enjoyable fantasy – confirms Grass as Germany's most eloquent literary prophet.

Since the *Tin Drum* in 1959, Grass has transformed figures from European folk tales into potent symbols for his distrust of 20th-century Germany, and has written a string of anarchic, warning novels. The fable titles – *The Rat, Cat and Mouse* – are giveaways; there was also a malevolent black hound in *Dog Years*; a feminist fish in *The Flounder*; an elusive snail, metaphor for political change, in the 1970s; and, most famously, the dwarf Oskar who refuses to grow up in amoral Nazi Germany in *The Tin Drum*.

With *The Call of the Toad*, Grass brings the fable landscape of the Europe of his lifetime up to date. At once a satire on post-1989 politics and a love story, it shows two sides of the author: firebrand and mellowed, humane observer. In the *Tin Drum*, sex was as sordid as the regime that encompassed it; 30 years on, the heart of this new piece is the romantic meeting between Alexandra and Alexander, both widowed, at the Gdansk market just before the fall of the Berlin wall. She is a Pole exiled from Lithuania; he, like Grass, is a German born in the city when it was Danzig and now exiled in west Germany. She is

a gildress, he an expert tomb restorer. From a double optimism – their art and their late-blooming love – emerges an ironic fantasy.

The couple found a Cemetery of Reconciliation for German natives of Gdansk to be buried in the city, and for Poles to be buried in Lithuania. But the idea takes off too quickly; speculators move in, the powerful Deutschemarkt devours plots all over Gdansk. There are vulgar re-burials and recrimina-

tion. Capitalism defeats idealism: a metaphor for present west-east relations and the too-hasty German reunification, against which Grass campaigned from the start.

As in the *Tin Drum*, his masterpiece is to interpret horror through a so-called image which amuses without being flippant. Satirical echoes crash through the pages. At the lyrical core is a folklore parallel: the call of the toad, which the couple record on the Baltic estuaries, by superstition foretelling disaster. In 1990, the toad calls too early in the spring; by 1999, the nightmare is of "a spanking new bicycle rickshaw with a toad as passenger, rolling in the direction of the future."

Grass's novels are always embellished by the same grotesque chorus – fish, eels,

toads, snails, boletus mushrooms squirm like details from German expressionist paintings, the edible or vegetable now animate, now transformed into a human face. Among contemporaries, only the novelist Garcia Marquez equals him as an image-maker.

Stone by stone, rivulet by mudbank, Danzig and the Baltic coast build up into the poetic symbol and creative spring of all Grass's work; like Joyce's Dublin or Bashevis Singer's Poland, they are the dream home of the exiled writer, evoked half a century on with the microscopic precision of a guide book. But they are also a historical symbol.

In the *Tin Drum* and *Cat and Mouse*, Danzig is the backdrop for Grass's dissection of nazism; it was also the prize at the end of the Polish Corridor for which Hitler began the second world war. In the 1980s, unrest in Gdansk's shipyards heralded the end of communism in eastern Europe. In *The Call of the Toad*, Gdansk citizens are guilt-ravaged but on the make, and the city loses its soul to the Deutschemarkt. Danzig holds the novel together like a magnet; taut yet exuberant, complex yet clear as a nursery rhyme, endlessly inventive, its themes pull always back to this central image. Translated by the masterly Ralph Manheim (who died so recently) into limpid, lively prose, *The Call of the Toad* shows Grass as one of our greatest living storytellers.

Jackie Wullschlaeger

## Triumph of the human spirit

WE ARE lucky, in retrospect, that Lebanon's hostage was some as articulate as Brian Keenan. Our good fortune has the kind of irony that the author of *An Evil Cradling*, whose senses of proportion and humour and curiosity seem to have survived 4½ years of random torment remarkably intact, just might appreciate. Without self-pity and without pandering to voyeurism of human pain, his story surprises by emerging as one of love as much as of anguish.

AN EVIL CRADLING by Brian Keenan Hutchinson, £16.99, 256 pages

The true subject of the book, its preface tells us, is how in the most inhuman of circumstances men grow and deepen in humanity. It is an honest claim. One of Keenan's defences against the "gross indignity" inflicted on him was to try and split his being to see things with distance. Perhaps because of this, the book's real voyage is not so much into the dungeons of Beirut and the Bekaa as into the minds and emotions of Keenan, his fellow hostages and their jailers.

Beginning with a sketch of a gloomy Belfast youth, the story balloons in detail with the description of his abduction only four months after arriving in Beirut to teach English literature. At first he is thrown into solitary confinement, a trial so severe that further years of brutalisation pale by comparison. Keenan evokes the extraordinary power of the imagination to create worlds, a power which can terrify to the point of madness. "I sat upon that foam mattress and it became for me a raft in a vast sea," he writes.

Later his dark cell fills with imaginary birds: "Their frightened flight seemed endless. These birds flew backwards, flow upside down... I found myself hissing 'Enough, enough' as I tried to fill my way out of that insane aviary."

Max Rodenbeck



## RECORDS

## Pulse of a new nation

Mussorgsky: *Khovanshchina*. Bulat Mingelkiev, Nikolay Okhotnikov, Olga Borodina, Vladimir Galuzin, Alexey Shtanko etc./Kirov Chorus and Orchestra, Valery Gergiev. Philips 432 147-2 (three CDs).

Tchaikovsky: *Queen of Spades*. Vladimir Atlantov, Mirella Freni, Maureen Forrester, Sergey Leiferkus, Dmitry Hvorostovsky etc./Boston SO, Tanglewood Festival Chorus, Seiji Ozawa. RCA Victor 0926 60992 2 (three CDs).

THE LATEST recording of Mussorgsky's last operatic epic launches an important Philips series of Russian opera recordings by the great opera company of St Petersburg. (*War and Peace* and *Queen of Spades* will follow). What exactly to call this great company has been a thorny business for Philips: a grandiose Kirov logo is blazoned at the top of the box lid, while lower down the appellations Kirov (name of company) and Maryinsky (name of theatre) are both offered.

This question of names Soviet and pre-Soviet is not insignificant - it is a consequence of the tremendous changes in Russian life and politics (which the Kirov-Maryinsky confusion betokens) that this formerly inconceivable link-up between a western record company and a Russian opera-house could have come about.

In many ways *Khovanshchina* is an ideal first offering for such a series. A "musical drama" in six scenes written to catch the temper and the pulse of a nation at a crucial moment in its history - Peter the Great waiting in the wings while rebellious nobles and religious fanatics struggle for supremacy or survival - it seems in this superbly colourful, gripping, and authoritative Kirov reading a hot-off-the-press artistic vision.

The work is famously problematic: a tangle of mostly unorchestrated sketches posthumously edited by Rimsky-Korsakov and in our century re-edited by Shostakovich, it has a narrative surface disjoint, awkward to negotiate and for non-Russian listeners laden with confusions. Yet by means of apparently illogical fragments of plot gathered from across the widest spectrum of Moscow society, there are developed with magnificent grandeur the opera's themes of power, honour, belief and duty confronted with the winds of change.

For this reason any *Khovanshchina* cannot help possessing a degree of "relevance": in the light of recent Russian history it is an opera that grows more starkly modern by the minute. It is also an opera that, though capable of providing opera-house thrills on the largest scale, benefits considerably from repeated listening. And, indeed, it is admirably represented on recent recordings -

Abdado's "live" 1990 Vienna set (DG) and Sony's same-year issue from Sofia (in its "Russian Opera" series) are both impressively cast, conducted and argued in editorial terms. What (to my mind) sets the new Kirov *Khovanshchina* above both is an idiomatic vividness in the orchestral and choral sound that is strictly incomparable. People who fear that the trends of internationalisation facing the arts and artists of eastern Europe will end by ironing out national distinctions of style, timbre and attack can take a measure of comfort from the artistic stance of Valery Gergiev, young Kirov Opera chief and conductor of the Philips series. He is passionately concerned with re-evaluation but also with preservation. In contrast to Abdado's reading, obviously more gracefully nuanced in its phrasing, he offers a gust of urgency that animates Mussorgsky's plain musical invention into a state of almost continuous dramatic excitement.

This affects the entire cast. Vocally, only one of the singers can be placed in the great Russian line: the mezzo Olga Borodina as the prophetess Marfa, a voice of youthfully lustrous beauty and a manner at once noble and intense which sheds on the whole work a special glow. The leading basses (Okhotnikov as Dostoyevsky, Mingelkiev as Khovansky) and tenors (Shtanko as the cultivated schemer Galizin, Galuzin as the dissolute Andrei Khovansky) are all worthy singers outpointed by one or other of their counterparts on the rival recordings. The wholeness of the performance, and its majestic sweep, render such point-making unimportant.

It makes an unfair companion to RCA's new *Queen of Spades* - a conflation of "live" recordings taken at Ozawa's concert performances in Boston and New York last year. The American chorus sounds hard-working, painstaking and just plain foreign. The conducting, though expert in cultivating glossy orchestral playing, only intermittently taps the high theatricality of Tchaikovsky's sounds and harmonies.

The leads, Atlantov and Freni, are two experienced performers here shown some way below their best form - he forgetful but often crudely loud, she making eloquently lyrical use of a soprano instrument no longer fresh. First-rate accounts of Tomsky by Leiferkus, Yeletsky by Hvorostovsky and the old Countess (in spite of melodramatic touches) by the veteran Maureen Forrester add to the value. But this astonishing opera still awaits a modern recording that is both locally idiomatic and (as it were) internationally impassioned. Will Philips and the Kirov combine to produce it?

Max Loppert



Glenn Gould, controversial and eccentric genius of the piano

## Gould's rich legacy

Andrew Clements reviews a remastered master

GLENN GOULD, the most controversial and elusive pianist of the century, died ten years ago this month, just a few weeks past his 50th birthday. He continues to attract calumny and extravagant praise in equal measure. There has been a posthumous collection of his writings (*The Glenn Gould Reader*, edited by Tim Page) as well as numerous biographies and appreciations, the most useful of which is Otto Friedrich's *Glenn Gould: A Life and Variations*. But the recordings remain the core of Gould's musical legacy, as they were always at the very centre of his life.

Now CBS has launched its "Glenn Gould Edition". Over the next two years the company will make available remastered versions of everything the pianist ever recorded - concerts as well as studio sessions. It is an ambitious, fascinating project, promising many revelations and opportunities to savour again unforgettable performances.

Gould's career as a concert pianist lasted little more than a decade; he gave his last public recital in 1964. Thereafter work in the studio took pride of place, with radio and television documentaries for Canadian Broadcasting as well as an enormously wide-range of recording projects.

Tales of his eccentricity prospered until the peerless quality of his piano playing seemed obscured not only by some of his more questionable interpretations but also by the mythology surrounding them - his solitary lifestyle, his refusal to shake hands for fear of damaging his fingers, his extraordinary crouching style at the keyboard, the constant crouching that accompanied all his performances.

How exceptional much of that playing was, and how penetrating it emerges vividly in the first batch of re-releases. Of course Gould was a wayward

Bach: Goldberg Variations. Gould. CBS SMK 52594.  
Bach: Concertos for piano and orchestra. Gould, Columbia Symphony/ Bernstein. CBS SMK 52595 (two CDs).  
Mozart: Piano Concerto in C minor K.491, Piano Sonata in C K.330, Fantasia and Fugue K.394; Haydn: Piano Sonata in E flat, Hob.49. Gould, CBS Symphony/Suskind. CBS SMK 52596.  
Beethoven: "Eroica" Variations Op.35, Variations in C minor, Variations in F major Op.34, Bagatelles Opp.33 & 126. Gould. CBS SMK 52595 (two CDs).  
Beethoven transcribed Liszt: Symphonies Nos 5 and 6 (first movement). Gould. CBS SMK 52 636.  
Grieg: Sonata Op.7; Rhet Nocturne in F, Variations chromatiques; Schubert: Three Sonatas Op.57, Three Lyric Pieces Op.41. Gould. CBS SMK 52594 (two CDs).  
Strauss: Ophelia Lied Op.67, Enoch Arden Op.33, Piano Sonata Op.5, Piano Pieces Op.3; Schwarzkopf, Reins, Gould. CBS SMK 52597 (two CDs).

Hindemith: Sonatas for brass and piano. Jones, Torchinsky, Johnson, Smith, Gould. CBS SMK 52597 (two CDs).  
Moravetz: Fantasy in D minor; Anhalt: Fantasia; Hétu: Variations Op.3; Penland: Ombres; Valen: Piano Sonata No.2, Op.38. Gould. CBS SMK 52597.

and sometimes downright perverse genius - as unpredictable as his choice of repertoire as in his interpretations. His range was enormous, from the Elizabethan virginalists right up to contemporary composers. Yet he ignored the 19th-century romanticism almost entirely, omitting Schubert, Schumann, Chopin and Liszt, and preferring instead to explore the century's byways - hence his versions of Bizet's Variations, Grieg's Piano Sonata (heavily indebted, ironically, to Schumann) and Richard Strauss's early Sonata, coupled here with the rarely heard and distinctly oddball melodrama with piano, *Enoch Arden*.

Whatever the diversions, the keyboard music of Bach was the lynchpin of his repertoire. The case for playing it on a modern piano was never put more convincingly than in Gould's performances of the Goldberg Variations, the English and French Suites and the 48 Preludes and Fugues. The 1955 version of the Variations is included here, the record with which he first burst upon an unsuspecting musical world. It remains a vivid document, daring in its selection of tempi, rhapsodic in its phrasing, crystalline in its grasp of structure. As always one can argue with some of the details, the extremes of tempi, the self-conscious phrasing, but never with the conviction and certainty with which everything is presented.

Listening again to Gould playing Haydn, Mozart and Beethoven his instinctive contrapuntalism comes ever sharper into focus; he thought of music as essentially a linear, multi-layered art, and his style of playing, with its lean, sharp focused tone and prodigious control of articulation and phrasing, was suited perfectly to delineating such strands. That might account for his distaste for the high romanticism, in which harmonic colour is so important expressively, as well as for his fondness among 20th-century composers for Schoenberg and Hindemith.

The recordings of the Second Viennese School will presumably re-emerge later, but Hindemith is represented already by a collection of the brass sonatas accompanied by Gould. It is hardly familiar fare, but Gould focuses immense concentration on to what would otherwise seem routine accompaniments, just as he almost succeeds in rescuing a pallid collection of pieces by his Canadian contemporaries by the sheer force of his personality. The acuity of the musical mind, as in all the performances on these discs, is never to be doubted.

## Spoken Word

## A transport of delight

GOOD RECORDINGS of Spoken Word can transport us, lock, stock and other eras. While we listen we are, in a real sense, spell-bound. Easily top of the latest collection of spell-binders is Edward Petherbridge's reading of E.M. Forster's first novel, his tragic-comedy of 1905, *Where Angels Fear to Tread* (Sterling Audio Books SAB OS2, six cassettes; five hours; unabridged). In a luminous performance of the greatest delicacy and intelligence, Petherbridge realises suburban Sawston, all prickly English respectability, as well as the dusty and sun-drenched Tuscan hill village of Monteriano, where a young, well-to-do, silly widow from Sawston is regretting her hasty marriage to an idle Italian youth. (The gulf between the southern and northern temperaments pre-figures uncannily the greater chasm discovered in *A Passage to India*.) The comedy is dry, the tragedy appalling.

Almost a century later, in *Rat Race* by Dick Francis, nicely read by Ian Ogilvy (Word For Word Audio Books WFW 102; four cassettes; six hours; unabridged), we enter a special world where small-time air-taxi charter firms touch the world of racing. Taut story-telling, tense action, first rate listening.

From the same list, Ruth Rendell's whodunnit, *Wolf To The Slaughter* (WFW 105; six cassettes; six hours; unabridged), a story of sadism and sexual obsession, is strongly and sympathetically read by Robin Bailey with one of the most persuasive voices in the business.

John Buchan's *Salute To Adventurers* (Schilttron Audio Books SPF 090; six cassettes; eight hours 22 minutes; unabridged) published in 1915, is set in the last years of the 17th century and recounts the adventures of impoverished young Andrew Garvald from the Lanark moors, sent on business to far-off Virginia. What landscapes Buchan could record, what action! One of the most rewarding adventure stories I have listened to for a long time, and superbly read by the Scottish actor Robert Trotter.

Colin Wilson achieved instant fame at the age of 25 when his study of alienation, *The Outsider*, was published in 1956. In *The Essential Colin Wilson*, a CD from Nimbus Records (NI 5124; 68 minutes), he lays bare the heart of his existentialist philosophy. "The Peak Experience" he celebrates is instantly recognisable, and he is an optimist. He believes humanity may evolve to inhabit that world of fulfilment we only catch glimpses of at present. An expert speaker, and a fascinating listen. It makes you think. Wilson has also written a

provocative introduction to another CD, which the Medici String Quartet has made to celebrate the inauguration of Kingston University. *Mozart's Journey To Prague* (MQCD 6005; 79 minutes; DDD) is a playlet (written by Wilson himself for the occasion) in which a chance meeting between Mozart (Richard McCabe) and the Countess of Shinzburg (Dorothy Tutin) gives an opportunity for much good talk and a master class on his quartets for "her" musicians, who give a delightful concert.

There are two other highly entertaining words-and-music recordings from Nimbus Records, each consisting of two CDs: Oscar Wilde's *The Happy Prince* with four other stories from the same volume (NI 1797; two hours approx; music from Vaughan Williams, Granados, Ravel and Shostakovich), and an abridged version of *Alice In*

Jeffrey Archer's *A Quiverful Of Arrows - Vol Two* (TTDMC 410; two cassettes; three hours approx) has six stories, the two longest of which are about money and all of which have Archer's famous "twist in the tale". Expertly read by Martin Jarvis.

*The Vicar Of Niblewick And Other Stories* (Random Century Audiobooks RC 114; two cassettes; three hours approx) is the first recording of any of the late Roald Dahl's short stories for grown ups, and the title story (in truth a rather inflated joke) was written not long before he died. Of the other five, two are frightening, one is quaint, *Mr Boboli* is delectable (but did the author think he had invented the name of Angel Boboli, that respected London tobacconist?) And *Taste*, about wine-snob, is displeasing.

Stephen Fry reads them all with a nicely ironic tone (but with one mistaken pronunciation which will be picked up by even the least snobby of claret-fanciers). He also delivers Hilaire Belloc's *Cautionary Verses* (RC 116; two cassettes; three hours approx) with panache and high good humour in the best performance of them I have heard.

I firmly believe that there is a place for abridged versions of novels and Random Century Audiobooks produces some good ones. The narrator of Margaret Atwood's *Cat's Eye* (RC 66; two cassettes; three hours approx; unabridged) claims that "Time is not a line but a dimension... You don't look back along time but down through it, like water." She has come back to Toronto and ineluctably relives the unhappiness her hateful "best friend", Cordelia, inflicted on her in childhood. But why isn't Cordelia there now, when she needs her oldest friend to grow old with? Thanks to Kate Nelligan's reading, Toronto has us spell-bound.

Mary Postgate

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## Old, new and blue

Garry Booth welcomes the return of Jimmy Smith

the same way (nowhere, fast)? However, jazz music buyers with an interest in these things should note that PolyGram, which is owned by Philips, will soon release potentially big selling albums from Stan Getz, Ella Fitzgerald and Joe Henderson in DCC

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Recorded in 1960, subsequently rem



## ARTS

## A million miles from Mammy

We all know what happened in 1927. Audiences were struck dumb by the sight of a grown man opening his lips and saying "Mammy". The film was *The Jazz Singer*, the man was Al Jolson. And the cultural milestone was the coming of talking pictures.

"Talking pictures. It is a perversion of history that the phrase has stuck. For sound in cinema today means far more than human voices cluttering the soundtrack with phonemes, or than those same human voices struggling between dialogue scenes with the massed mayhem of a Hollywood score.

Go to a modern action feature and you will hear 570 varieties of breaking glass, explosions and crunching cars. In a cartoon, and you'll be offered unspoken, unpermitted on the squawk: the thud, the bang, the screech; to a horror film, and you'll experience an echo-chamber of subtle sonic scares devised by mad sound scientists deep in their labs.

I met such a group on my last fact-finding visit to Tinseltown. Weddington Productions in North Hollywood are top people in their business. They had just finished working on Disney's *Beauty and the Beast* when I arrived (opening in Britain this week) and before they put the sonic overdrive into films like *Potterheads*, *Raiders of the Lost Ark*, *Die Hard* and *Total Recall*.

At first I was given a verbal tour

of the basics. How sound libraries grow with each technologically groundbreaking film. (*Total Recall* added 80 new tapes to a Weddington library now 3,800-strong.) How classic tapes are handed down from age to age like "Castle Thunder" from the 1931 *Frankenstein*, still in frequent use. How synthesizers and computers have become part of the modern noise boffin's armoury.

But then my host Steve Flick (actual name) threw out a little observation that I almost missed. "We would mix animal noises into the breaking glass in *Die Hard*..." Wait - animal noises in breaking glass? "Yes." What kind of animal? "Oh, Cougars, pumas, cat sounds. Just to give it that savage, threatening feel."

Glass has as many textures as a Persian carpet has colours. You can mix in all sorts of things. Same with explosions. For *Backdraft*, which we didn't work on, I understand they used pig squeals in the fireball noises.

A new world began to unfold. Mixing sound effects into unlikely cocktails, it became clear, is now one of the cinema's most surreal subdivisions.

"What else do you put animal noises into?"

"Well, when we did *Raiders of the Lost Ark* Steven Spielberg wanted a different sound for the scenes where Indiana Jones drives the truck: so that the audience will sense there's more power, more machismo, than when the villains

drive it. So whenever Indy started up the engine, we put a lion's roar into the noise. You can hear it clearly, even on video. But the audience watching the film is so carried along by the story that it doesn't notice."

Animals are clearly worked hard at Weddington. Few of the company's most impactful sound effects could have been completed without raiding the nearest zoo or dogs' bath of jello in the early 1980s to create, by splashing around, the ploppy, gloopy ectoplasmic effects for *Potterheads*.

**Crazy cocktails of sound are enlivening modern movies, says Nigel Andrews**

home. Take *Gremmings*, whose creature noises were created by a fellow Weddington wizard, Mike Mangini. "First we auditioned a lot of human actors. And we found one guy who could make that high-pitched, squeaky, snarling sound we wanted. But we decided it wasn't strong enough. So we rented some pit bulls and brought them into the studio here. And we'd wrestle with them and tease them and tickle them under the armpits until they gave us the noise we wanted."

The mind boggles. But even this was only a runner-up prize for the company's first hour probably came by playing the original recording for me - when Steve Flick stepped into a

Mike Mangini has a DIY xylophone too. He invented it for *Beauty and the Beast* and its "keys" are dining spoons. Listen for it in the Disney animation feature's big musical number, a Busby Berkeley dancing-dishware extravaganza called "Be My Guest." Explains Mangini: "We had to make sure the sound effects didn't clash tonally with the music. So I made this instrument like a xylophone where

the spoons could be pitched to the key of the music. And in the shot where you see the spoons diving into the washing-up bowl, I'd hit them one after the other to create a kind of spoon glissando."

Mangini and assistant Dave Stone also laboured over the right cocktail of technical and zoological effects for the Beast's voice. Actor Robby Benson's voice was "pitched down 15 per cent electronically, then we'd add in a subharmonic frequency in the boom channel to create that extra rumble, and on very strong words we even added explosion noise: for instance when the Beast says to Beauty: "You'll stay in there and you'll S-T-A-R-V-E!"

Sound effects today, it's clear, are not just the art of sonic showmanship; they create emotional undercurrents often subtler than anything the image could provide. For a scene of menace in the snow-bound woods in *Beauty and the Beast*, Mangini and Stone used slowed-down wolf howls to create the sound of the wind. This not only enriched the sonic texture for its own sake, it provided a portentous into the film's next narrative development, which was a wolf attack.

At their best, sound effects, like film music, provide a whole new layer of meaning to a movie, reinforcing the pictorial image or giving it a surprise inflection or even, as here, creating an entire emotional ambience for it before it appears.



Talking picture: When Al Jolson spoke, audiences were struck dumb



A radical reformer: the Regent, Castlereagh and others of his government flee a fearsome guillotine monster

## Engraved in history

OUT OF the tens of thousands of drawings made during a long working lifetime, the artist remains lodged permanently in the mind of posterity as "Oliver Asking For More" and "Fagin in the Condemned Cell". In the latter, the dim light filtering through cell's window-grill illuminates the terrified figure sitting biting his nails on the narrow bed; his eyes are popping in terror; his hat is placed upturned beside him; its removal from his head shows us for the first time the shape of his skull, and makes him seem curiously naked. Cruikshank's emphatic point is that Fagin has not just been caught - he has been unmasked.

That illustration - one of 24 he did for *Oliver Twist* - is a fine example of Cruikshank's love of melodrama. Born 200 years ago this year, he was an actor *manqué* having tried as a young man to get a job on the stage. He had learnt the art of engraving at the knee of his father Isaac Cruikshank, who was of Scottish descent, but settled in London, a contemporary and colleague of Rowlandson and Gillray. George was the second son, he had an older brother Robert who was also a fine artist.

The theatre people told George Cruikshank that if he liked he could try his hand at painting scenery. Cruikshank settled instead for caricature,

an art to which he brought a variety of skills combined with an infinite capacity for invention. He eventually appeared on stage as an amateur, performing in theatrical events organised by Dickens. The great novelist became a chum when Cruikshank made the drawings for Dickens's first book *Sketches by Boz*.

Cruikshank always insisted that it was he who had originally had the idea for *Oliver Twist*. He had, he claimed, given Dickens the story complete with all the characters. This claim is the subject of an learned essay by Richard A

ried twice; both these unions were childless; but like Dickens, Cruikshank, it came to light long after his death, had a clandestine establishment near to his marital home where he kept a mistress who bore him nine children.

The enormous range, the rollicking exuberance of his art with its love of minute detail, may be sampled in the exhibition at the Museum of the Order of St John, Clerkenwell near where Cruikshank lived for some years. The catalogue *Cruikshank 200* (35) by John Wardroper - the moving spirit behind the exhibition - gives

Cruikshank scholar. Patten has been steadily researching this biography for 20 years. The task included going through Cruikshank's 8,500 unpublished letters now dispersed in collections all over the world.

The biography will be published in two parts, the second will appear next year. This first part takes us up to 1835. It covers the period when Cruikshank established himself as the foremost British caricaturist of his day, an artist whose work conditioned public awareness of political and social events - at that period caricature had a similar importance to television in our society.

Patten's mastery of the different disciplines in the career of such an artist is apparent from the first chapter. He is always ready to expound the national and international history behind the work, the Hundred Days, Waterloo, Peterloo, the Reform Act, the careers of the Prince Regent and the Duke of Wellington - all of which were grist to Cruikshank's mill. Patten also deals thoroughly with caricature as a form of folk art and he traces the development of print-making techniques in the 19th century. It was during the life of Cruikshank that book-illustration, to which he made such a contribution, enjoyed one of its finest periods. As this volume ends Cruikshank has begun work on Scott's Waverley.

If the depth of insight into Cruikshank's life and art shown in volume one is sustained in the concluding volume, as there is every reason to believe it will be, then Patten's biography will surely become the indispensable work on this ferocious but endearing artist.

Cruikshank 200 is open at the Museum of the Order of St John, St John's Gate, EC1, Monday to Saturday, 11am-4pm, until Oct 21. After that it will go on tour to Burnley, Maidstone and Sheffield.

George Cruikshank's Life, Times, and Art Vol 1: 1792-1835 by Robert L. Patten. Lutterworth Press, £35, 526 pages

**Anthony Curtis on an exhibition and biography of George Cruikshank the influential Victorian caricaturist**

Vogler on the relations between author and artist printed in the symposium *Cruikshank* edited by Robert L. Patten in 1973. This valuable collection, with an introduction by John Fowles and a cover design by Ronald Searle - both are dedicated Cruikshankians - is now reissued by the Princeton University Press at £15.95. After Oliver, Dickens and Cruikshank never worked together again. It was Hablot Browne (Phiz) who became Dickens regular illustrator.

In his youth Cruikshank was a clubbable roisterer, but not a desperate one like his father who died after a life that combined excessive drinking with great industry, at the age of 47. His son's career lasted almost twice as long and in his late forties Cruikshank became a reformed character - or so it seemed - through the influence of his second wife. From now on he was zealously promoted the teetotal cause. Sets of drawings by him with titles like *The Bottle*, *The Drunkard's Children*, *The Worship of Bacchus* appeared after the manner of Hogarth and were a huge success.

Before his conversion Cruikshank had combined conviviality with domesticity. He married

a useful concise account of the artist's life and career.

On show are examples of his work as a radical, a scourge of the government during the Regency period, alongside a handful of the many books and pamphlets he illustrated. Several were published by his courageous friend William Hone who vindicated the right of a publisher to disseminate such subversive material in three separate historic libel actions brought by the Lord Chancellor.

The exhibition also includes a fascinating selection of Cruikshank's hand-coloured etchings, watercolours, pen-and-ink drawings. It is the first comprehensive Cruikshank exhibition since the one organised by William Feaver in 1978 at the V & A to mark the centenary of the artist's death. In these days of ever worsening unemployment figures, devalued currency, and of Napoleonic gestures emanating from across the Channel, Cruikshank's scurrilous and brilliant treatment of all these topics in such a manner as to drive home their impact in human misery, seems as relevant to our time as to his own.

Robert L. Patten, professor of English at Rice University, Texas, is the leading academic

RADIO 1 and Radio 2 have both been celebrating their 25th birthdays; but radio anniversaries are not really worth celebrating, for they depend less on intrinsic merit than on the judgment of the higher-ups. Radio 1 got three spreads in the *Radio Times* and half an hour on BBC1. Radio 2 got nothing like that, although Jimmy Young had a half-hour interview with David Frost (on Radio 2).

Radio 2 is for the fairly uncritical lower middlebrow listener. True, music tracks from the 1960s and later brought complaints, but not enough to ditch them. The Jamesons, even Jimmy Young, may say controversial things now and then, but they have their slots because they are everybody's friends, no more contentious than the man on the Clapham omnibus. If I seldom write about Radio 3 here, it is because those of its programmes that I hear are deliberately uncontroversial. I doubt if Radio 2 will celebrate a 50th anniversary. But I bet Radio 1 will.

Radio 3's play on Sunday

Radio/B.A. Young  
Old pals

was a winner, Fernando de Rojas's tragedy *La Celestina*, translated and adapted by John Clifford, who puts more fun into 16th century Spanish drama than anyone. Calisto (Jonathan Cullen) falls madly for cautious Melibea (Abigail McKern) and has to ask help from the local procurator, La Celestina, played with bewitching naughtiness by Frances de la Tour.

The dialogue, in current English, is hilarious and bawdy. Most of the principals finally die, as in *Hamlet*. Calisto falls down a cliff making a covert exit from Melibea's home, and she kills herself in distress. Calisto's tricky servant Sempronio and Parneno (also played by Jonathan Cullen and Matthew Morgan) murder Celestina for the wealth Calisto has paid for her help, and are duly executed. Only the women servants and Melibea's father, who has just one line, survive. The vigorously comic direction was by Eoin O'Callaghan.

You know it makes sense is a Radio 4 series on Wednesday mornings about the five senses. Radio 2 did them in August, but less seriously. The Radio 4 lot, presented by Geoff Watts, explains how they work - the connection between eyes and brain, the perception of colour. Watts mentioned various ways in which vision is put to the test, through cameras, against modern painting and so on. Next week, touch. Taste we have had, often enough, although in other circumstances.

Talking of taste, on Tuesdays on Radio 4, Miles Kingdon is giving a world survey of humour. It's a *Funny Old World*. The snag is that one only laughs at foreign people's jokes if they are funny by our

standards. Last week, we met the Nigerians, who often have the useful advantage of knowing English. Nigerian joke electricity comes from the NEPA, or National Electric Power Authority, so Nigerians say NEPA stands for Never Expect Power at All.

This week we were in India, where, as in Nigeria they laugh at people from other regions. Funniest are the Sikhs - Sikh jokes are the equivalent of Irish jokes in England. Indian cartoons illustrate politics. Indian cartoon: the goalkeeper in an Indian football team has to accommodate all his family in the goal. Kingdon is very sympathetic, and is not tempted to make jokes of his own.

Next week we go to China, but this is strictly Indian week, for in the slot where we had the Bible readings, we now have readings from the Bhagavad Gita. I have heard three days' worth, and very interesting too, but so different from religious writing in Britain that I dare not offer any critical comment without first learning a lot more. Shall we later come to the Koran?

THE Slovenian poet Tomaz Salamun belongs to that post-war generation of eastern European poets who grew up in a climate of intellectual dishonesty.

Stalinist societies in which public proclamations, always rosy optimistic, bore little relation to the material and spiritual deprivations that they experienced in their daily lives. The result was to drive the writers - and the way they approached the problems of writing - underground.

Direct rebellion might be impossible, but important truths could be told - and in Salamun's case, these were presented through a strange mixture of whimsical, playful and almost absurd statements, too slippery for any censor to take hold of.

Salamun's reading at the Voice Box this month - his first in London for many years - tended to emphasise these characteristics of his poetry.

Speaking almost in an undertone, he read the majority of the poems in English translation, which he spoke with an exaggeratedly careful emphasis. The strange, fractured poems themselves, full of absurd humour, were quite the antithesis of his sombre, formal appearance.

One of the longest and most accessible, *The Fish*, described, through a sequence of starkly memorable statements - "My names are all dirty"; "On some planet there is a central storehouse for my flesh" - a feeling of worthlessness that seemed to border on the psychotic.

The title of another demonstrated just how playfully ironic Salamun could be: "Hear me out, the world is not in danger." When one's inner and outer worlds are under threat, the best way of drawing attention to that fact might be to say the opposite.

Reading alongside Tomaz Salamun at the Voice Box that evening was Jo Shapcott, a young English poet whose new collection, *Phrase Book*, was this quarter's choice of the Poetry Book Society.

With hair flicked back behind her ears, and properly earthed in Rumpelstiltskin boots, she seems to blaze with self-confidence - but, if anything, the strength and sureness of her delivery draws

Poetry/Michael Glover  
Truth disguised

too much attention to the empty cleverness of her poetry. The reading becomes an exercise in ensuring that the audience understands exactly as much as it needs to in order to enjoy her poems to the full.

The poems all purported to be funny, with the poet entering into the psyches of various sheep, a goat, Tom (of Tom and Jerry), Superman (in a mad mood), a lettuce and a mad cow in order to describe for us how those various animals and American cultural icons might feel and respond if they had the kind of sophisticated intellect with which we humans are blessed.

Unfortunately, the jokes were often not good enough; and in one of the "cow" poems, the listener forgot entirely that the speaker was supposed to be a cow at all. Jo Shapcott is a clever, artful constructor of poems - but sometimes her head rules her heart and the sense of humour gets lost altogether.

Charlie "C K" Williams is one of the most distinctive American voices of our time, and he is a rare, satisfying example of a poet who manages fully to embody his poems in the reading of them.

The poet is in a state of extreme nervous agitation as he reads, perpetually twisting his long neck from side, and pumping his shoe as if depressing some imaginary organ pedal.

"I decided it was time to get a handle on jealousy," he tells us, grinning, before he attacks

subject matter be a tramp or an analysis of the properties of the mind. The words themselves seem to resonate through his body, causing every limb to twitch and jerk. He is a poet to be read in gulps - desperate, driven, obsessive. By the end the audience, mesmerised, is pawing the ground with its feet.

The *Selected Poems of Tomaz Salamun* are published by Ecco Press, New York.

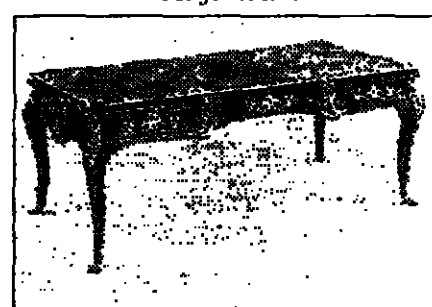
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THE most telling political image of the Tories' week in Brighton was that of John Major kissing Lady Thatcher up on the platform, in full view of both delegates and more important - television cameras. One has seen less sincere and much more repulsive political kisses - a slobbery embrace between Mikhail Gorbachev and Erich Honecker stands out particularly in my memory.

Major's body language below the mouth was most revealing. While kissing his predecessor he simultaneously grabbed both her wrists with his hands. Only when the lady was thus rendered helpless did the Prime Minister lean forward close enough to kiss.

Lady Thatcher gazed fixedly over Mr Major's left shoulder. What else

# Kissing in the European style

John Major gave Lady Thatcher a peck on the cheek. Is this acceptable? asks Dominic Lawson

could she do? Yet while the embrace had a certain political resonance, no one so far as I am aware, has questioned its propriety.

The social kissing of men and women in public is a very recent development, except for those who move in bohemian and arty circles. It is thought to have been introduced into respectability by the Princess of Wales at around the time of her marriage. The Princess is a wonderfully touchy feely sort of person, and finds such a gesture wholly natural.

But almost all Englishmen, and most Englishwomen lack the Princess of Wales's innate warmth and

physicality: they have adopted her practice, but clearly feel very awkward doing it.

There are a number of difficulties. Who makes the first lunge? Is it to be a single kiss (Mwal) or a Continental double (Mwal Mwal)? There is a fundamental problem in the whole endeavour: the shape of the human face. This decrees that it is almost impossible to kiss someone on the cheek at the same time as he or she is kissing you on the cheek.

For the benefit of readers I consulted *The Spectator's* etiquette agony aunt, Mary Killen. She says: "The double kiss has been discredited in polite circles following its

adoption by Cilla Black on her television show *Blind Date*. However, if you must persist the rule is for the kisser to place the lips on the left cheek of the kissee, and then wait to receive a symmetrical response."

What is still not acceptable, in public at least, is the social kissing of men with men. To make such a gesture would be to invite instant rumours that one is homosexual. Recently we went on holiday to Italy. I found that men whom I scarcely knew would kiss me goodbye. At first I reeled backwards, but then my wife explained to me that these friends of hers were not fruits but were perfectly ordinary

Italian men expressing affection in a manly way. By the end of the holiday I had become quite used to the idea and was kissing along with the best of them.

In a way the Italians are more logical than we are - and not just the Italians; the Russians, pace Mikhail Gorbachev, are mighty man to man kissers. If one kisses a woman socially it indicates no more than affection. It is not in any way a lustful embrace. So why should not the same be acceptable between men?

The problem at the moment is that we have only the handshake. That is fine when one first meets someone, or at the start of a game

of competitive chess, such as that now going on between Bobby Fischer and Boris Spassky. But I do find it slightly ridiculous that the handshake remains almost the only acceptable public greeting between men friends who have developed a warm relationship over many years.

The Americans, I know, have developed alternatives: the playful punch on the shoulder, or even the hug, but neither of these are particularly elegant or aesthetic.

So I proposed to Mary Killen that official endorsement be given to social kissing between males. It didn't take, I'm afraid.

"Not We really must call a stop to

this promiscuous cheek bashing. It's already causing too much confusion and embarrassment. Nobody feels comfortable doing it. I do hope you are not going to attempt to introduce this foreign thing of male kissing into Britain."

"No, Mary," I said, lamely. "You're the expert."

But I couldn't help recalling what one of the Italians said to me when I commented that in England the practise of male kissing was thought to be a sign of dangerous effeminacy.

"The reason why Englishmen don't like kissing each other" he said "is that so many of you really are homosexual. You are afraid you might get carried away."

No danger of that, at least between John Major and Lady Thatcher.

■ Dominic Lawson is Editor of *The Spectator*.

CAN THE Secret of the Universe be written on the front of a T-shirt?

Religious belief is in secular decline in the West. Nations seemingly exhausted. Now science, having murdered Faith, is accused of failing in its turn. The bookshelves are bursting with competing answers: on one rack religion, psychology and philosophy; on another astrology, mythology and the occult; on a third, particle physics, the human gene, consciousness, the universe. Everything. We are still desperately looking for that whatever-it-is.

One of the best guides to the cosmic tour is John Barrow, author of the T-shirt question. He is a 39-year-old cosmologist, professor of astronomy at the University of Sussex, who studies the birth of the universe and the formation of the galaxies. His popular books revolve around questions of the ultimate. Is there a Theory of Everything, a TOE? Or is the grand unified theory, so spectacularly marketed by Stephen Hawking, just wishful thinking?

Barrow may not have spectacular answers and his gifts as a scientist I cannot judge. But as a populariser he is uncommonly successful: eclectic, fluent, graphic and clear. His latest contribution, *Pl in the Sky*, discusses whether mathematics (the form in which the TOE would be revealed) is in some sense real, or whether it is just an uncanonically successful device for explaining the world to ourselves. The journey is as interesting as the destination, as Barrow explains why words for "one" and "two" so often have different roots from words for "first" and "second", or why ancient shepherds could not count sheep.

Why should Barrow bother to tell us all this?

"It isn't to spread my name," he said. "It's important to get scientific ideas across. I felt other people wouldn't write the books I wanted to read - so I had to write them myself."

Scientists, he added, were writing their own popularisations these days to explain their ideas to each other as much as to the public. "So the public are participating in a live dialogue, not just being sold a story."

Is it also because science has become too difficult for non-scientists to explain?

"In the UK popularisation has meant producing little pictures of what things are like - for instance, how quarks are confined in nuclei like balls in a rubber bag. It has come to mean producing analogies. At the turn of the century popularisers such as Poincaré criticised us for that. But if you look at what real scientists are doing you have to say that what they are producing is



analogies - if rather more complex, abstract and high-powered. You might see mathematics as an analogy - or you might regard it as the real thing.

Is physics at a watershed? Is that why there is this desire to produce ordinary-language explanations?

"For some reason there is enormous public interest. It is almost like a substitute religion. The traditional view is that people like to have some transcendent reality, just like they have to have a sense of community in society. Perhaps this hankering after ideas of ultimate truth fits into that category."

"But it can't be the whole story because people with con-

ventional beliefs are interested in these developments in science. One blatantly chauvinistic attitude would be to say these things just are more interesting than anything else on offer."

Barrow is persuasive on a platform but in private is cautious, even monotonous. He is agile physically as he is mentally; he was an 800 metres runner, a former junior national indoor champion who once beat Steve Ovett.

It was through athletics that he acquired his unusual fluency and wide knowledge. His seven A levels included classical Greek, religious studies and English, which he read for at home with his philosophy-trained running coach, John

Private View/Christian Tyler

# Bringing the cosmos down to earth

Turf, in exchange for instructing Turp in maths and physics. "So I got used at a very early age to explaining things orally and learning things by explaining them."

There was no science in the family: his father worked for a subsidiary of Joe Lyons, the catering chain.

Why did he choose cosmology?

"I can remember from the age of 16 or so wanting to do astrophysics. I was not one of those people who wanted to look through telescopes. What interested me was this issue of mathematics. I remember asking at school: Why is it that when we heat this thing up it does what the maths says it will do? How does it know? The prospect of being able to understand a star millions of light years away just by using simple laws of heat and gravity all seemed very neat."

When I asked him about those who accuse science of barren ambition, he replied that specialisation was inevitable: western science had been so fertile precisely because a monotheistic religion had prompted the search for natural laws handed down by a divine lawgiver. Oriental science had been retarded by the application of etiquette and harmony to nature.

Like Stephen Hawking before him, Barrow was summoned to Rome to debate cosmology with Vatican theologians. God and science are not in opposition, he said. "You can think of God as a mathematician or computer programmer, if you like, as lighting the blue touchpaper and retiring. Theologians prefer to think of God as sustaining the world from moment to moment."

It was biologists, not cosmologists, who were most hostile to religion because of the Darwinians' struggle against the church in the last century.

"Cosmologists, I think, appreciate the uncertainty of their subject. They are less confident and strident than biologists, with good reason. They have less data. If you look at their personal views, you will find many more cosmologists with strong religious beliefs than you would ever find biologists."

Are you interested in revealed religion?

"In my *Theories of Everything* I made the connection with mythological accounts of the world. These in a sense were the first theories of everything. They tried to include everything, leave nothing unknown or inexplicable because it was too frightening.

They made huge tapestries into which to interweave more and more facts."

Do you believe in resurrection and redemption?

Barrow was evasive. "There may be a religious perspective that you won't find in a test tube or in an equation: I'm a strong believer that there are complementary ways of looking at the world."

"The scientific approach is different. Take a neon sign, for

really mathematical or is maths just a way of describing the world? This is the crux of the question."

"Take a computer programme that simulates how galaxies form: load it up with laws of gravity, run it to simulate billions of years, watch the clusters occur. Continuing into the far future, you would see stars and planets form; you might see living beings evolve in the computer program.

Cosmologist John Barrow discusses life, the universe and the possible existence of a Theory of Everything

example. You could explain it in terms of quantum electronics with 100 per cent completeness but you wouldn't want to write down what the sign was actually saying as part of that description. To say that the sign said 'Coca Cola' wouldn't be part of the scientific account."

I asked him to define the limits of science. Are you running out of analogies? Is the world untranslatable now in a way that the Newtonian world of billiard balls was not?

Barrow came back to his conundrum about the reality of mathematics. "Is the world

which could transmit messages to each other. Practically speaking, they would be conscious but they would have no material existence. What are they? They exist in the programming. In the mathematics. A Platonist would say they exist in every possible sense of the word."

"There is this extraordinary power of mathematics. It doesn't almost work, it works precisely and wonderfully and it works best in those areas such as elementary particle physics that are farthest removed from our everyday experience. So to say we just

developed this capacity sounds wrong. Where there is no evolutionary advantage, maths works most persuasively."

Do cosmologists feel they are reaching the limits of what they can assert and convey?

"They certainly might be reaching the end of the observational and experimental road. There are two big constraints here. The first is: suppose a Theory of Everything exists in some form, why should we be able to understand and unravel it, living in 1992 on a planet in the suburbs of the Milky Way? It's an extraordinary anti-Copernican presumption that we should be clever enough to understand this after just a few hundred years of thinking about it."

"The other telling point is that what we can know is conditioned by the evolutionary process, by the necessities of surviving in our environment. As far as we can judge there is no reason why understanding a Theory of Everything is necessary for our survival."

Does it matter if there is a TOE or not? Are you able to say if there is one?

"I'm obviously not in a position to say, but I can speculate. If you look at what scientists do there is almost a presumption that there is. It's grown out of the idea that there is a single lawgiver and a set of laws. What's the alternative, a

series of cosmic Berlin walls?"

"Would the TOE be boring?"

"Well, it could turn out to be a necessary truth. There could be one and only one possible mathematical theory in which every piece of the jigsaw puzzle will fit. That's what people hope. The alternative, which to me seems more likely, is that the theory would allow many different types of universe, of which ours is one example. Just as the laws of nature allow many outcomes in which the symmetries of the laws are broken and disguised, the universe itself may be one of these disguised outcomes."

Would it be a testable, useful theory?

"It might be. But suppose there was a theory and we could find it by some flash of insight, why should we be able to test it or check it? This is a much more significant point. The problem is that theory faces way ahead of experiment. We don't have the financial means, the practical means, to test theories about the beginning of the universe. Why should the universe be so constructed that we should be able to test these theories? So we could end up with several consistent theories and no way of distinguishing which was the right one."

"That's right."

In *The Hitchhiker's Guide to the Galaxy* Douglas Adams makes the computer, Deep Thought, cough up the answer to the riddle of the universe. It is 42. Deep Thought cannot, of course, supply the question. So, the day we learn there really is a TOE, I doubt I shall feel too excited. I shall wait for John Barrow's book.

# There's nobody here but us

Michael Thompson-Noel

Ross Perot rang me yesterday. I wish he would leave me alone, for the pesky little Texan is becoming extremely nuisanceful. He regards me as the London member of the Committee to Elect Ross Perot, though I have told him to include me out. The only good that came of yesterday's conversation was that I was able to tell Perot the name of the winner of Hawks & Handsaws' Little Rays of Light Across the Planet's Doomed and Pitted Surface competition.

"How you doing, boy?" demanded Perot grumpily when Miss Lee, my assistant, put him through. "Still keeping your hair short and shaving twice a day? I hope you're not playing roulette, boy, or consorting with married females. They can cast a boy down utterly, boy - just snap him in half like a twig."

"No, Mr Perot," I said wearily.

I was put on the Committee to Elect Ross Perot last June, after meeting Perot in a restaurant in Vail where I was eating my dinner, probably, although it could have been buck deer. For some reason, Perot had the notion that I was an expert on techno-politics - electronic voting, that sort of thing - and that I was the type of can-do boy with whom he could do business.

"I want you to help me, boy," said Perot yesterday. "Ever since I let my millions of supporters browbeat me into re-entering the race for president, jumped-up media folk with no more wits than a coyote in a barrel have been saying I don't have a foreign policy, so I'm coming to London to rustle one up. Just a few days, boy. Here's what you do. Book me a hotel. If you have to, buy one. Get me some theatre tickets - Andrew Boyd Webster.

And line up some people, strictly top brass - the prime minister and his side-kick for finance. What are their names, boy?"

"Laurel and Hardy," I said. "But nobody will see you. They've all disappeared, skiddooed off to Pluto. Britain's economic policy went up in smoke three weeks ago, along with every other policy, so we're the laughing stock of Europe. We've been beastly to the Germans. Everybody hates us. The reason Laurel and Hardy has skiddooed off to Pluto is that they genuinely and sincerely don't know whether interest rates should

go down or go up. Can you imagine that, Mr Perot?"

"What about the foreign minister?"

"Pluto, Mr Perot."

"Commerce?"

"Pluto."

"Transportation?"

"Pluto."

"How's about Queen Liz?"

"Skiddooed - ages ago. Let's face it, Mr Perot, there's nobody here but us chickens."

"Nobody?"

"Well, the lumpen intelligentsia is still thick on the ground. I could get you Michael Ignatieff or Jeremy Paxman. Mr

Perot. No prob whatsoever."

"Can't you suggest anything?"

"I had high hopes of you, boy."

"I said: 'What you need, Mr Perot, is a big idea, something to put the fun back into American politics. Here's one for free. Recently, Hawks and Handsaws staged a competition in which readers were invited to suggest ideas for brightening our lives. I called these ideas LRLAPDPS's Little Rays of Light Across the Planet's Doomed and Pitted Surface."

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